



EUROPEAN NEWS

Bulgaria rules out debt forgiveness

By Judy Dempsey and Stephen Fidler



BULGARIA yesterday ruled out any western forgiveness of its debt, saying this could slow down its economic reforms. Mr Ivan Kostov, the Bulgarian finance minister, said Bulgarian officials were meeting the Paris Club this week to discuss arrangements to postpone or reschedule the country's debt. But he added: "We have never discussed the elimination of the debt... not even among ourselves."

The Bulgarian authorities fear that any debt forgiveness would deny the country the incentive needed to push through radical economic reforms. Mr Kostov's comments, in the wings of the inaugural meeting of the European Bank for Reconstruction and Development, followed a call for debt forgiveness for Bulgaria by Mr Henning Christophersen, the EC's representative at the new bank.

Mr Christophersen said Bulgaria should be the second east European country after Poland to benefit from debt forgiveness. Poland last month had at least half its debt to foreign governments written off. "There must be a debt relief agreement for Bulgaria. Without this, it will be impossible for that country to get out of its difficulties," he said. While Poland owes about

Strong role of board highlighted by Brady

By Stephen Fidler, Euromarkets Correspondent

THE US Treasury Secretary, Mr Nicholas Brady, emphasised yesterday the strong role of the board of directors in the European Bank for Reconstruction and Development. "We do not view the activity of the board as an advisory one, but, instead, as a critical element of the bank's operations," he said in a speech to the EBRD annual meeting.

The speech reinforced the differences in approach to the bank by the US and some other shareholders - which see a relatively narrow focus for the bank in encouraging the private sector in east Europe - and the broader view of the bank as the first truly pan-European organisation being taken by others, including its president Mr Jacques Attali.

"We believe strongly that the EBRD's focus should be private sector development and the financing of infrastructure, which directly supports private sector activity," Mr Brady said. Reinforcing the message, a senior US Treasury official said afterwards that it was the job of the shareholders to determine the policy of the bank "and it's down to the management to carry out those policies."

In his speech, Mr Brady said the bank would need to keep in mind the activities of other bilateral and multilateral donors to the region "in order to avoid duplication and conflicting operations."



EBRD president Jacques Attali was in contemplative mood at yesterday's meeting of foreign ministers in London

EC says \$23bn pledged to E Europe

By Stephen Fidler, Euromarkets Correspondent

PROMISES OF financial aid to the countries of east Europe now total \$23bn (\$12.5bn) according to the European Community, which is co-ordinating the aid effort among the Group of 24 donor countries. This includes \$8bn in the form of grants, \$1.7bn in structural loans from EC bodies such as the European Investment Bank, \$11.4bn pledged as capital for the European Bank for Reconstruction and Development and \$2bn in bilateral loans and credits.

Mr Henning Christophersen, the EC representative at the inaugural meeting of the EBRD, told reporters yesterday that these promises were in addition to balance of payments support for east Europe.

The EC had identified a financing gap of \$15bn for this year, some two-thirds of which would be covered by the International Monetary Fund and World Bank. This left some \$4bn of balance of payments support to be provided by the Group of 24 this year. A \$1bn loan had been agreed for Czechoslovakia, a new \$500m loan was close to agreeing for Hungary, while

efforts had begun to raise \$800m for Bulgaria and \$1bn for Romania. All the loans were dependent on their agreeing economic reform programmes with the IMF. Half this would come from the EC. Last year, a \$1bn currency stabilisation loan for Poland had been agreed (still untouched in the New York Federal Reserve Bank) and a further \$1bn for Hungary. Mr Christophersen also did not rule out assistance for Albania.

On top of that, it was estimated that Poland's debt servicing bill would be reduced by about \$5.5bn in the first year as a result of the agreement last month with the Paris Club of creditor governments.

He said early estimates for the financing assistance needed next year by east Europe suggested they needed less than in 1991. But that depended on two main factors: the extent to which trade collapsed within the old Comecon trading bloc and the oil price. He said some Ecu400m (£275m) had been promised this year by the EC in technical assistance for the Soviet Union, and Ecu600m next year.

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EUROPE IN BRIEF



French inflation eases down

French inflation slowed slightly last month, but economic growth is also easing, according to provisional figures, writes William Dawkins in Paris. Consumer prices rose 0.1 per cent in March, giving an annualised rate of 3.2 per cent, down slightly from the previous month's 3.5 per cent, says the state statistics body, Insee.

The improvement is greater than some economists were forecasting, though at least half comes from a drop in inflation in the services sector. This continues the gentle convergence of French inflation towards the German level.

Carat wins Disney account

Carat, Europe's largest media planning and buying company, has won the Walt Disney Company's European account worth up to \$100m a year, writes Raymond Snoddy. The media programme is expected to cover the entire Disney business in both western and eastern Europe including films and home videos, consumer products and the Euro Disney Resort which is due to open in a year's time outside Paris.

Strike threat to Danish finance

Denmark may be paralysed from May 9 by the first strike ever to hit the financial services sector, writes Hilary Barnes in Copenhagen. The banking and insurance staff trade unions have called on members to reject a new two-year collective wage and work conditions deal worked out by an official labour market mediator. The deal is now being put to members in a ballot. Union leaders are confident that the deal will be turned down. The deal would force members to accept more flexible working hours.

European TV in for big rise

Real television expenditure in Europe will double between now and the year 2000 to \$27.5bn according to the third edition of Television in Europe to the Year 2000, produced by Zenith Media Worldwide, writes Raymond Snoddy. Zenith, which draws on the resources of advertising agencies Saatchi & Saatchi and Backer Spielvogel Bates, says European television is one of the most dynamic global markets. The reports says \$1bn was spent on advertising on satellite television in 1990, a figure that will quintuple by 2000. An estimated 23m homes will have satellite dishes by 2000 and 77m homes will be able to receive multi-channel television.

Van Goghs back on display

Amsterdam's Van Gogh Museum reopened yesterday, two days after 20 masterpieces by the 19th-century artist were stolen and recovered in one of the world's most short-lived art thefts, Reuter reports from Amsterdam. The museum, which houses the world's largest collection of Van Gogh works, said 12 of the stolen paintings were already back on display.

More ships tackle oil disaster

By Haig Simonian in Milan

MORE specialised vessels arrived yesterday off the Italian coast to help with the fight against the oil pollution caused by the tanker disaster near Genoa. The ships, which include the "Ragno II", an oil exploration vessel owned by Italy's Saipem oil company, will enable experts to form a better impression of how much crude is left aboard the sunken Cypriot-registered supertanker "Haven" and how best to remove it.

Using remote-controlled cameras, experts will try to ascertain the wreck's condition. Decisions will then be taken on steps to remove the remaining oil. Surface efforts have so far recovered 6,000-7,000 tonnes of oil that had leaked from the vessel, which sank on Sunday.

However, scientists estimated there could still be 100,000 tonnes of crude oil left in the ship and said this was a clear threat. Light winds were slowly blowing the oil south-west, towards France.

Discontent threatens Hungary's fragile stability

Nicholas Denton reports that a decade of falling living standards could undermine political success

AN artificial calm prevails in Hungary while government and opposition national conflict buffet its neighbours. By contrast, Hungary appears economically and politically stable. But it is a fragile stability which this year will be tested to the full. Most Hungarians have been suffering from stagnating living standards for a decade. Democracy and economic liberalisation were supposed to solve that. But patience is running out a year after free elections, and it is on that patience that Hungary's current equilibrium is precariously balanced.

Nevertheless, on the surface at least, Hungarian politics have rapidly become surprisingly normal. When last spring's elections produced a governing conservative coalition, a strong liberal opposition and a socialist (ex-communist) rump, most commentators said it could not last. But the coalition has defied its critics, giving Hungary the closest thing to western-style party politics in eastern Europe.

What is more, the move to

democracy has been achieved without any abrupt change in government policy. The conservative Hungarian Democratic Forum came to power last spring with the slogan that it was "The calm force" and the implicit claim that the party would not turn Hungary upside down. Mr Jozsef Antall, the prime minister, has not let down his voters.

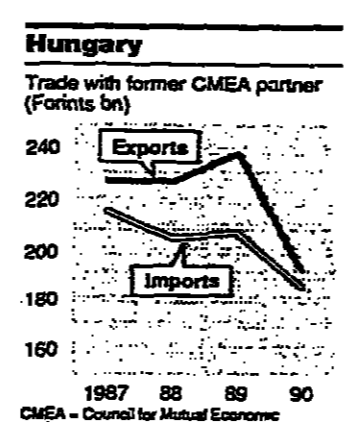
The continuity is so striking that people can be forgiven for the commonly-held belief that nothing has changed since the election except the rising prices. There has been no about-turn on economic policy. The former government's tight monetary and fiscal stance has been maintained; quick and decentralised privatisation has returned to favour; and the commitment to repaying Hungary's \$21bn debt has, if anything, been reinforced.

December's appointment of Mr Mihaly Kupa to head the Finance Ministry, where he had been a widely-respected official, marked the victory of bureaucratic pragmatism. The cabinet reshuffle muted the

ideological arguments within the cabinet which had crippled policy-making. Mr Kupa's self-proclaimed pragmatism has also taken the heat out of the wider debate on whether to treat the economy with shock therapy or not. Opposition politicians and economists are hard-pressed to take issue with the finance minister's programme of reform legislation.

Mr Kupa has been a witch-hunt of officials associated with the communist regime. "Against the greatest pressure, we didn't kick out everyone or make a B-list," said Mr Istvan Forrai, head of the prime minister's secretariat. While the government takes pride in its conservatism, the old guard has been ousted in a series of promotions and dismissals.

"What more can a government do in such a period but to maintain financial, internal, political and personnel stability?" asks Mr Istvan Forrai, head of the prime minister's secretariat, in return. Hungary's exports to former Comecon countries fell by 24 per cent last year, the most important factor behind a 4.5



Half of all western investment in the region went to Hungary last year, according to Mr Bela Kadar, Hungarian minister for international economic relations. But that investment, and a boom in exports with the west, have not been enough to offset the slump of the surrounding east European economies.

Hungary's exports to former Comecon countries fell by 24 per cent last year, the most important factor behind a 4.5

per cent fall in measured gross domestic product. The government predicts the same fall in output for 1991. Average living standards, cushioned by the black economy, are probably not falling by nearly that much. But the figures hide growing income inequality. A tenth of people are much better off, three-tenths are worse off and the rest stay the same, according to Mr Gabor Istvan, a professor at the Budapest University of Economics.

The losers are numerous enough to make for widespread discontent, expressed in deep unpopularity with the government: one recent poll gave the Forum 14 per cent.

More dangerously, an opinion poll commissioned by the European Community showed that 75 per cent of Hungarians were dissatisfied with the way that democracy had developed, much more than in other east European countries. No one quite knows what expression public disillusion will take. Last October it emerged in a three-day protest against higher petrol prices. In a recent by-election it was

recorded birth defects but the figures had risen in the control areas as well as in radiation-affected areas. Some 145 people had suffered from acute radiation sickness as a result of the nuclear accident five years ago this month, while the death toll remained at 30, Dr Ilyin said. The latest official Soviet estimate of its cost is Rb20bn-Rb25bn.

The Soviet government has obliged 188,000 people to evacuate their homes as a safeguard against excessive radiation dose and up to 300,000 more may have moved voluntarily, it is believed. Dr Ilyin acknowledged that many people were in a "state of extreme psychological stress" as a consequence of the accident.

Brussels fears EC software directive may be jeopardised

By Andrew Hill in Strasbourg

CONTRVERSIAL EC legislation aimed at ending piracy of computer software could face a last-minute battle in the European parliament today after more than a year of frenetic lobbying by rival camps in the computer industry. The European Commission is afraid that the compromise thrust out with EC member states in December will be jeopardised if the parliament adopts amendments to the directive. The proposed directive, part of the EC single market programme, aims to extend copyright laws to computer software. It has been the subject of a fierce struggle between large computer

groups, such as IBM, which want a minimum copyright protection, and smaller groups which want the ability to create software which is compatible with their larger rivals' products. The compromise would allow a limited amount of "reverse engineering" - the unpicking of programs by smaller groups in order to create compatible software. Christian Democrat MEPs, the second largest grouping in the parliament, are expected to vote against the amendments. However, the largest group, the Socialists, has yet to decide. If the Socialists abstain or

vote against, then a majority in favour of the amendments would be impossible and the directive would pass back to Community ministers for formal adoption. If the amendments go through, however, the directive would then require the unanimous approval of member states, which could prove difficult. Mr Martin Bangemann, the EC commissioner responsible for the internal market, said yesterday he hoped MEPs would throw out the amendments. He said the Commission and EC ministers had taken account of parliament's views after the first reading of the directive last July.

IBM plan telecom network

INTERNATIONAL Business Machines, the world's largest computer company, is considering establishing a pan-European telecommunications network based on a novel satellite technology, writes Alan Cane. It has retained Hyperion, a UK-based information technology consultancy, to assist with a feasibility study for the network. Hyperion has carried out similar studies for international financial organisations including Swift and Dow Jones. If IBM decides to set up such a network, it could create a substantial new market for a telecommunications service which has so far failed to realise its potential in Europe. It would also force IBM's competitors in the computer industry to follow suit or risk losing market share. The satellite system - very

small aperture terminal or VSAT - is already big business in the US, but has made little impact in Europe because of restrictions set by Europe's telecommunications authorities, which are afraid VSAT will damage revenues from their conventional long distance networks. With the relaxation of the regulatory environment, it has become increasingly possible to establish a VSAT network but so far no European organisation has taken the initiative. Mr Bob Kallenborn, European Telecoms Centre Commercial Development Manager for IBM UK, said there were several areas where a VSAT service could solve business requirements. They included disaster recovery support and the distribution of software and documentation.

Reports of higher death toll at Chernobyl denied

DR LEONYD ILYIN, director of the Institute of Biophysics in Moscow and an internationally respected authority on radiation sickness, yesterday denied reports that the death toll in the Chernobyl disaster ran to hundreds or thousands, rather than the 30 officially admitted, writes David Fishlock in Paris. He assured a joint conference in Paris organised by the Nuclear Energy Societies of the Soviet Union and France that there was no increase in registered numbers of cancer cases and no increase in the cases of acute leukaemia and other blood diseases. Dr Ilyin is still treating 16 children with radiation sickness in his hospital. He said there was an increase in the number of

recorded birth defects but the figures had risen in the control areas as well as in radiation-affected areas. Some 145 people had suffered from acute radiation sickness as a result of the nuclear accident five years ago this month, while the death toll remained at 30, Dr Ilyin said. The latest official Soviet estimate of its cost is Rb20bn-Rb25bn.

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He and his senior party colleagues now face a new dilemma in their perennial struggle to maintain an independent identity while sharing in government, without being crushed by the Christian Democrats and the Socialists. They must now decide whether the stress on principle and independence they want to show by remaining outside the coalition might instead increase the dangers of their own extinction.

Italy's Republicans caught between principle and the wilderness

By Haig Simonian in Milan

THE decision by Italy's small Republican party not to support the five-party coalition, within which it has helped govern the country since 1983, is surprising even by Italian political standards. It followed the party's refusal last weekend to accept the three ministries offered in Mr Giulio Andreotti's new government, and reflects Republican leaders' fury at what they see as the prime minister's bad faith. Although the Republicans held only three ministries under the previous government, which collapsed last month, they had not expected Mr Andreotti both to change those posts and sharply reduce the powers of one of the new ministries offered. Mr Andreotti's task in forming a government - his seventh and Italy's 50th since the Second World

War - has been complicated by the need to find room for the left wing of his own Christian Democratic party which has decided to end its self-imposed exile from government posts begun in 1980. The Republicans, however, may also have been invited trouble within their own ranks by excluding Mr Oscar Mammì, the long-serving minister for posts and telecommunications, in their trio of ministerial candidates. They substituted him with Mr Giuseppe Galasso on the grounds that Mr Mammì had already enjoyed enough ministerial exposure. That decision incensed Mr Mammì, whose ministry has been growing in importance because of the role it will play in rationalising the country's private broadcasting bonanza by allocating frequencies. It also provoked a substantial row

inside the party. However, their 40.5 vote decision on Monday not to support the new government shows that Republican party leaders are reserving their ire for Mr Andreotti. The party has still to clarify whether it will vote against his new government when it presents itself to parliament today, or just abstain. Whichever way it

MR GIULIO ANDREOTTI's new government was yesterday set to be a coalition of four parties, rather than the five which have ruled the country since 1983. Amid a hectic round of meetings between President Francesco Cossiga and political leaders yesterday, the emphasis was on minimising the effect of the Republican party's refusal to participate in the coalition. Last night Mr Andreotti's Christian Democrats joined the Socialist, Social Democrat

and Liberal partners in agreeing to carry on as a four-party government. At the same time, the Christian Democrats issued a renewed call to the Republicans to reconsider their decision. However, the uncertainty caused has prompted Mr Andreotti to postpone to today the new government's presentation before parliament. So far, only the small far-right Movimento Sociale Italiano has called for an early election in response to the crisis.

an intellectual weight appreciably greater than its relatively small electoral size. In the June 1987 general election, its share of the vote shrunk to 3.7 per cent, against 5.1 per cent four years earlier. The 1983 elections marked a high point for the party, which was still basking in the prestige provided by its then leader, Mr

Giovanni Spadolini's 18-month stint as Italy's first non-Christian Democratic prime minister since the war. Since then, the Republicans' political influence has waned, despite Mr Spadolini's move from party secretary to president of the Senate in July 1987. It is his successor, Mr Giorgio La Malfa who is now in the limelight.

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## AMERICAN NEWS

US business likely to be hit severely if stoppage goes ahead

## Last-minute talks to avert rail strike

By Nikki Teft in New York

THE threat of a national rail strike which could wreak havoc with freight traffic hung over corporate America yesterday as unions and carriers fought to settle a three-year contract dispute.

Both sides warned that a stoppage was possible if agreement were not reached on a new labour contract by midnight yesterday.

The United Transportation Union, largest of the 11 unions involved in the contract talks, said it had already sent out strike notices to members. If no progress were made they could be on strike from 7am today. It added, however, that it was joining the talks, due to restart in Washington yesterday, between labour and management and was still "hopeful" that a stoppage could be averted.

On the carriers' side, the Association of American Railroads was gloomier, suggesting that a strike was "very likely" if negotiations proved fruitless.

The dispute has been almost three years in the making, as the two sides attempted to hammer out a new contract. Under US legislation, labour agreements in the rail industry are initially kept in force while new contract negotiations take place.

If no progress is made, the next step is for a presidential emergency board to study the situation and recommend a settlement.

The board recommendation, delivered in mid-January, suggested wage increases averaging between 3 and 4 per cent a year over the next three years, but also called for the number of miles which train crews have to travel for a normal day's pay to be steadily increased. It also suggested that labour should shoulder some of the mounting health benefit expenses in the industry.

The report was not greeted with enthusiasm by the union camp. Procedurally, however, its publication started

a "cooling-off period", which was extended because of the Gulf war. But by yesterday morning, with 12 hours to go before the final expiry of the grace period, only three of the 11 unions involved had reached tentative agreements with management.

There seems little doubt the effects of a national strike on business would be dire. About a third of the total freight moved around the US goes by rail, and the coal, car, chemicals, grain and steel industries are among the heaviest users.

Much of this could not be shipped any other way, and there have been suggestions that a reduction in coal operations could take place within hours. Chrysler warned yesterday that a rail strike "of any length could result in massive closings" of its plants.

Some rail companies, such as Burlington Northern, have made clear that they will not even attempt to operate if

a national strike begins. The railroads association says this policy could become widespread among its members. National unemployment, it has been calculated, could surge by around half a million as the result of a national stoppage.

However, the unions have not revealed their strike tactics, and more selective action is at least an option. How the rail companies would respond in these circumstances was not clear. Equally, politicians might take the matter into their own hands - as they have done in previous rail disputes.

Mr Samuel Skinner, transportation secretary, pointed out yesterday that previous rail strikes had been swiftly ended by Congress and he hoped this one could be resolved in as little as a day.

He said the administration was ready to work with Congress as quickly as Congress wanted to move.

## Russian republic may win US food credit guarantees

By Nancy Dunne in Washington

PRESIDENT George Bush, under pressure to grant new food credit guarantees to the Soviet Union, may try to target the sales to the Russian republic.

The president has received a personal request from Soviet President Mikhail Gorbachev for \$500m (£279.3m) in credit guarantees for purchases of maize and other commodities. The \$1bn in guarantees granted so far this year has been virtually exhausted.

Although the administration has been careful not to undercut Mr Gorbachev, the president last weekend, in a speech on the "new world order", said he would in future meet representatives of the Soviet republics. Targeting the additional food credits to Russia would tie in with Mr Bush's evolving Soviet policy.

Mr Robert Dole, Senate Republican leader, was influential in getting the last grant of guarantees. However, he and other congressmen were outraged when shortly after the credit package was announced, the Soviets launched a crackdown in Lithuania and Latvia. They also complained that the grain was not getting to the republics.

Now, Senator Dole is said to be considering a Russian



Dole: outraged by Soviet crackdown on Baltic republics

who most want the food credits and who own most of the resources which generate foreign currency.

In his appeal to Mr Bush, Mr Gorbachev directly addressed US concerns about Soviet creditworthiness. He said the central government's purchasing agencies were up to date on payments, and he promised they would continue to make their payments on time.

The farm lobby badly wants new credit allocations. Sales are lagging behind last year's. The \$53m in guarantees for maize provided the financing for the only maize the Soviets have bought this year.

The farm groups have meetings arranged next week with the White House and the US Agriculture Department. They also will seek a renewal of Mr Bush's six-month waiver of the Jackson-Vanik Amendment, which cleared the way for export financing.

The amendment ties favourable trade treatment and credits to emigration policy. Because the Soviets have yet to codify an emigration law, the waiver will not become permanent.

The waiver also cleared the way for credits from the US Export-Import Bank. Thus far, Eximbank has approved seven offers of credit.

## Output figures give little hope for US recovery

By Michael Prowse in Washington

FURTHER falls in housing starts and industrial production yesterday appeared to offer little prospect of an early US recovery from recession.

The Commerce Department said housing starts fell 9 per cent in March to a seasonally adjusted annual rate of 901,000. But the fall was influenced by weather fluctuations and may have been a reaction to a sharp increase in starts in February.

Building permits - regarded as the best guide to future construction activity - rose 2½ per cent. The second consecutive monthly increase suggests that January may have marked the low point of the housing cycle.

Industrial production fell 0.3 per cent last month. This was roughly in line with Wall Street expectations and represented an easing of the rate of decline after falls in factory output of 0.5 per cent and 0.9 per cent in January and February respectively.

Officials said industrial production declined at an annual rate of just over 9 per cent in the first quarter as a whole. This compared with an annual rate of decline of 7 per cent in the fourth quarter of last year.

The latest figures, which follow reports of a 0.5 per cent decline in retail sales in March

and weak car sales in early April, offer little comfort for economists expecting a rapid economic rebound following victory in the Gulf war. The consensus view, however, remains that the recession will bottom out sometime during the summer.

The Federal Reserve appears to be adopting a "wait and see" approach. Having left short-term interest rates uncut last week, it may now wait until April employment figures are available in early May before reassessing its monetary stance.

In the first quarter, housing starts were 12 per cent lower than in the final quarter of last year. But in spite of the dip last month, starts in March were nearly 6½ per cent above the low point reached in January.

The decline in industrial production last month was mostly based, reflecting continued weakness in business equipment, construction supplies, and durable materials. Capacity utilisation dropped 0.4 points to 73.7 per cent, its lowest level since autumn 1988.

Total production in March was 3.3 per cent below its level of a year ago and nearly 5 per cent below the peak hit last September.

## Cholera outbreak reaches Brazil

BRAZIL'S first case of cholera since the outbreak of the epidemic in neighbouring Peru has been confirmed, Christina Lamb writes from Brasilia.

Speaking on breakfast television yesterday, Mr Luis Romero Farias, the interim health minister, said that one case had been confirmed and eight possible cases registered in the

Amazon region near the borders with Peru and Colombia.

The government has launched an emergency programme in the area costing Cr1.5bn (£3.3m) but Mr Farias admitted: "The spread of the disease is impossible to stop."

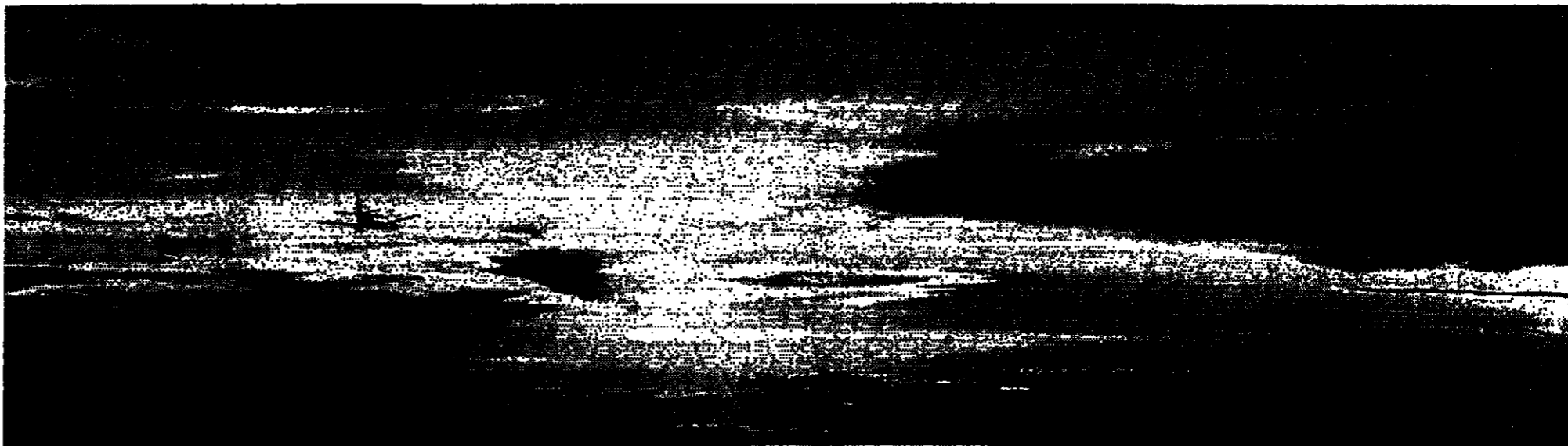
Officials fear that the cholera bacteria will be quickly

carried by the many rivers which traverse Brazil.

According to Ministry of Health projections, Brazil could see 3m cases this year - around 2 per cent of the population.

The worst-affected areas would probably be Amazonas and Rio de Janeiro, with its high population density.

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## Mexican reserves rise to \$10.3bn

By Damien Fraser in Mexico City

MEXICO'S foreign reserves reached \$10.3bn (£5.7bn) at the end of last year, \$3.4bn more than in 1989, the central bank announced yesterday in an upbeat annual report.

The foreign reserves figures are announced only three times a year, and are a closely watched indicator of investor confidence in the peso. Last November President Carlos Salinas de Gortari said foreign reserves stood at \$8.4bn.

The increase in reserves partly derives from Mexico's \$3bn windfall from higher oil prices last year, and from proceeds from the privatisation of Telmex, the telephone monopoly. In the first three months of this year the Bank of Mexico is believed to have added a further \$3bn to its reserves, which would bring the current total to more than \$13bn.

The latest figures should reassure investors worried about Mexico's ability to

finance its growing current account deficit, which, according to the annual report, stood at \$5.2bn last year. Thanks in part to an estimated \$1.4bn in repatriated flight capital, \$2.6bn in direct foreign investment and a further \$2bn in foreign portfolio investment, Mexico ran a capital account surplus of \$8.8bn last year.

However, the amount of direct foreign investment is well below government predictions of inflows of \$5bn a year. The report argued that the current account deficit mainly reflected increased private-sector investment, and would thus lead to an increase in exports.

The annual report confirms the worrying growth in Mexico's money supply, suggesting that the highest risk remains overheating of the economy. Mexico's narrow money supply grew in real terms (adjusting for 30 per cent inflation) by 26.6 per cent.

## Salvador peace talks stumble after killing

By Tim Coone in Managua

PEACE talks in Mexico City between the El Salvador government and FMLN guerrillas have hit problems since the recent killing of a senior guerrilla leader.

Mr Antonio Cardenal, known as Commander "Jonas", was killed in El Salvador last week with 12 other guerrillas, in an ambush by a commando unit of the army's elite Atlacatl battalion, in what was considered a guerrilla-controlled area.

The FMLN has angrily accused the government of killing "Jonas" after he was taken prisoner and of trying to wreck the peace talks. An FMLN communiqué yesterday warned that guerrillas would launch similar attacks against army chiefs. It warned that any attempts by the army to push the FMLN out of territory it

controls would be resisted. "Jonas" was a member of the FMLN's political-diplomatic commission and was directly involved in earlier rounds of peace talks. He was Nicaraguan by birth, and a nephew of the Nicaraguan president Mrs Violeta Barrios de Chamorro.

Several big issues are at stake in the negotiations, aimed at establishing a ceasefire by April 30. The FMLN wants the government to recognise its de facto control of some territory during a period of "armed peace" which will lead to an eventual disarmament of the FMLN.

It also wants steps on constitutional reforms and the creation of an commission to oversee the purging from the armed forces of officers linked to human rights abuses.



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## INTERNATIONAL NEWS

# Israel defies US Aid agencies try to make sense of refugee politics

## by starting new settlement

By Hugh Carnegie in Jerusalem and Victor Mallet in London

ISRAELI settlers yesterday began moving into the first Jewish settlement to be established in the occupied West Bank for two years in direct defiance of US warnings that such actions could jeopardise its efforts to broker a Middle East peace accord.

The government-financed settlers said they had deliberately moved forward plans to occupy the settlement - originally given official approval as a settlement site eight years ago - to take place before Mr James Baker, the US secretary of state, returns to Israel later this week to pursue proposals for Arab-Israeli peace negotiations.

More than a dozen mobile homes, acquired through the Housing Ministry run by Mr Ariel Sharon, a vocal opponent of Mr Baker's peace proposals, were transported overnight to the settlement site, called Revava, where several families are preparing to move in immediately. The settlers' peace talks could undermine Israeli rule over the West Bank and Gaza Strip.

Ministers in the government of Mr Yitzhak Shamir, which supports settlement and has rejected Washington's view that they are an obstacle to peace, refused to distance themselves from yesterday's move. Mr Shamir says there is no link between settlements and the peace process.

In London yesterday, Mr Shamir likened the Israeli settlers in the territories to Arab residents of Israel proper and said it was normal for people to build houses.

"It doesn't make any difference if there will be in these disputed territories 100 settlements or 120 settlements," he told a news conference. "The

permanent political solution will be accepted outside this fact."

Mr Shamir yesterday met Mr Valentin Pavlov, the Soviet prime minister, in a sign of the improving relations between the two countries.

But the Israeli premier was unable to say if the Soviet Union would agree to Israel's demand that all diplomatic ties be restored if Moscow wishes to join Washington in supervising a proposed regional Middle East peace conference.

"It is absolutely necessary that before meeting the Soviet Union we have a preliminary meeting with Israel normal diplomatic relations. . . Mr Pavlov told me that they will think about it and consider it."

In Israel, Mr Ehud Olmert, the health minister, said he agreed the establishment of Revava was anti-peace, but added: "On the other hand, if indeed settlements are a vital component of government policy, it is better not to play hide and seek."

This attitude infuriates the Palestinians who told Mr Baker last week that they could not take the proposition of peace talks with Israel seriously as long as settlement continued.

Some 100,000 Jews now live in the West Bank and Gaza, a figure that rose by about 10 per cent last year.

Israeli opposition groups also bitterly condemned the new settlement. "Revava is a provocation against the peace process and it is meant to deter any Arab who wants to talk peace with Israel today. . . and to lead us to the next war," said Mr Ran Cohen, Citizens Rights Movement MP.

By John Murray Brown in Diyarbakir

RELIEF AGENCIES were yesterday trying to forge a common relief policy amid political confusion over the future of thousands of Iraqi refugees stranded in inaccessible places along Turkey's south-east border.

Mrs Sadako Ogata, the United Nations High Commissioner for Refugees, got her first glimpse of problems faced in the camps as aid officials in Diyarbakir argued over the role of the US aidop launched last week to help an estimated 300,000 Iraqi Kurds who have fled to Turkey. The aid agencies have been told they have 30 days before the US hands over responsibility to the United Nations.

Politically, the issue is complicated by Turkey's reluctance to give the refugees permanent sanctuary, and the concern of the UN High Commissioner for Refugees to accord the fleeing Kurds their rights under the convention on the treatment of refugees.

Turkey, which is a signatory to the convention, has a so-called geographic limitation which means it does not recognise non-European refugees and is confining refugees to border areas. A Foreign Ministry spokesman said yesterday the local governor's decision to

move some 20,000 to Siliopi on Monday, was taken on humanitarian grounds and did not constitute a change in policy. "These people are not refugees. The do not have refugee status. A permanent settlement should be found inside Iraq," said the official.

"We don't care which way they go. As relief workers we want to get the refugees into places where we can realistically take over from the Americans," said Mr Hugo Slim of the Save the Children Fund, the UK charity.

The US emphasises that the aidop is a temporary operation "while international organisations continue their preparations to assume responsibility for assistance to the refugees."

The need for a longer term strategy was underlined yesterday when the relief shuttles taking supplies from Diyarbakir to the camps had to be postponed because of bad weather and mechanical problems with some of the Chinook helicopters.

US officials have made clear that the helicopter drops would not be made inside Iraq, leaving that to the Hercules C-130 flying out of Incirlik 300 miles from the Iraqi border.

US civil affairs officers were

yesterday in the camps trying to establish distribution networks among the refugees in a bid to avoid the chaos that has followed earlier aidop when a number of refugees have been killed.

The US is dropping "ready to eat" meals, baby food purées and packaged water. However, once the aid agencies take over, the refugees will receive simpler fare - beans and lentils. "These supplies would normally be trucked in. Yet many of the sites are at present inaccessible by road."

The danger is that the US aidop will, in fact, consolidate the existing refugee sites which relief officials believe will be all but impossible to sustain on a more permanent basis. One official said the camps would then become "permanently inappropriate."

"The problem is not only technical. The question is: does the international community want to create a big refugee camp? It's a political decision. It's quite possible to put a camp on stilts, or anywhere you want. But you have to establish your priorities," says Mr Xavier Emmanuelli, president and founder of Médecins sans Frontières, the French agency.



Yildirim Akbulut, Turkey's premier, and Nurver Nures, ambassador to London, at yesterday's press conference

# Turkish PM rejects criticism of relief effort

By Victor Mallet, Middle East Correspondent

THE Turkish prime minister, Mr Yildirim Akbulut, yesterday appealed to the international community to make greater efforts to help Turkey cope with the Kurdish exodus from Iraq instead of criticising Turkey's own relief work.

He told a news conference in London that the 25 planes of foreign aid sent to Turkey by the UN and other countries were "a drop in the ocean". Turkey needed 50,000 tents to shelter the 400,000 Iraqi Kurds who had already crossed the border, but had received

only 8,000 from abroad in addition to the 3,000 given by Turkey itself. "It's not an easy task and it's not a task that Turkey alone can accomplish," he said. "Twenty-five planes loads of aid material - Okay, we are grateful, but this is not a solution."

Mr Akbulut said televised scenes of Turkish troops pushing back Kurdish refugees to keep order were interpreted as "Turkish soldiers torturing". He denied that Turkish soldiers had killed a single Iraqi Kurd. Furthermore, he said, Turkey was

still looking after 29,000 Kurds who fled from Iraq in 1988. Only 500 had been accepted by other countries, yet people criticised Turkey for the conditions in the camps.

Under intense international pressure, Turkey has begun to move some of the recently arrived Iraqi Kurds from exposed mountain sites near the border to a site at Siliopi deeper inside Turkey. Mr Akbulut, however, said they would quickly be replaced on mountains by up to 200,000 Kurds streaming in from Iraq. It was

vital, he said, that the Kurds returned as soon as possible to their own homes in Iraq with the protection of United Nations guarantees.

Turkey says its suggestion that Iraqi refugee camps be established on more favourable terrain on the Iraqi side of the frontier has been largely ignored, but Mr Akbulut said: "Whatever we propose as a measure now is only a temporary solution. . . It is our policy that these people must by all means go back to their own homes. This is a must."

# Egyptians faced with austerity package

By Tony Walker in Cairo

NEWS OF an austerity package, including a 10 per cent sales tax, dampened Egyptian celebrations for the end of the Muslim fasting month of Ramadan yesterday.

The announcement, timed to coincide with the most euphoric day of the Islamic calendar and the forthcoming May Day bonus for government workers, also heralded sharp increases in petrol prices and electricity charges to comply with the demands of the International Monetary Fund.

Egypt, which has just agreed to a standby arrangement with the Fund, has been under pressure to reduce its budget deficit by further raising subsidies and by increasing revenue-raising measures.

Petrol prices will rise by 30 per cent and electricity by 35 per cent in line with Egypt's pledge to international lending institutions gradually to raise energy prices to world parity.

# Rafsanjani to make first visit to west

President Ali Akbar Hashemi Rafsanjani of Iran will go to Turkey and Syria later this month before travelling to France on his first visit to the west since taking office, western diplomats said yesterday. Reuter reports from Tehran.

Mr Rafsanjani, who is moving towards warmer relations with the west that were frozen under Ayatollah Ruhollah Khomeini, the late spiritual leader, would visit France this summer.

His visit to Turkey had been planned before the Gulf war but postponed and will now take place on April 29 or early next month. He will visit Syria immediately afterwards, the diplomats said.

# Iranian border reopened to refugees

Iran said yesterday a border crossing with Iraq had been reopened a day after Iran tanks and troops had sealed it and killed a number of Kurdish refugees. IRNA, the official news agency, said the Tilleh Koub border, near the Iranian town of Sure-Pol-e-Zahab, was reopened on Monday night and about 100,000 Iraqi refugees were waiting to enter.

Iraqi troops backed by 15 tanks had opened fire on the refugees at Tilleh Koub on Sunday night, killing a number of them and closing their escape route, according to a Tehran Radio report on Monday.

Iran, forbidden to protect Baghdad, saying an Iraqi brigade moved two miles into Iran in violation of a UN-brokered ceasefire halting the two countries' eight-year war in 1988.

# China opposes zone for Kurds

China said yesterday it opposed the United Nations setting up a safety zone to protect Kurdish refugees in Iraq because it would violate Iraqi sovereignty, Reuter reports from Peking. The establishment of a safety zone touches upon the sovereignty of one country, the Chinese Foreign Ministry said. China is one of five permanent members of the UN Security Council, along with Britain, France, the Soviet Union and the US.

# UN willing to keep register of arms sale

By Andrew Hill in Strasbourg

THE United Nations would be prepared to take responsibility for co-ordinating a register of international arms sales, Mr Javier Pérez de Cuéllar said yesterday.

Addressing the European Parliament, the UN secretary general said a register would ensure transparency in the world arms trade and could help prevent a build-up of weapons, as happened before the Iraqi invasion of Kuwait.

The idea of a global arms register first emerged at last week's EC summit in Luxembourg, at which European leaders discussed the aftermath of the Gulf war. Mr Pérez de Cuéllar, attacked the "search for quick profit" which lay behind western nations' arms-dealing. "The size of the Iraqi arsenal amazed everybody but why were we so surprised? Hadn't we helped Iraq amass arms or made the necessary assistance available so they could produce them?"

Mr Pérez de Cuéllar was last night due to meet Mr Jacques Poos, foreign minister of Luxembourg which holds the EC presidency, over a possible trial of Iraqi President Saddam Hussein for war crimes.

APPLICATION FORMS MUST BE SENT TO THE CHIEF REGISTRAR, BANK OF ENGLAND (NEW ISSUES), PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 24TH APRIL 1991, OR LODGED BY HAND AT THE CENTRAL GIFTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 24TH APRIL 1991; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 23RD APRIL 1991.

## ISSUE OF £1,200,000,000 10 per cent CONVERSION STOCK, 1996 FOR AUCTION ON A BID PRICE BASIS

PAYABLE AS FOLLOWS:  
Deposit on application: with a competitive bid Price bid less £50 per cent £50 per cent  
with a non-competitive bid  
Balance of purchase money: On Tuesday 28th May 1991 £50 per cent  
INTEREST PAYABLE HALF-YEARLY ON 15TH MAY AND 15TH NOVEMBER

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The International Stock Exchange for the Stock to be admitted to the Official List on 25th April 1991.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive bids for the above Stock.
2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
3. The Stock will be repaid at par on 15th November 1996.
4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. The Stock registered at the Bank of England will also be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963 and the relevant subordinate legislation. Transfers will be free of stamp duty.
5. Interest will be payable half-yearly on 15th May and 15th November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. Interest will accrue from Thursday 25th April 1991 and the first interest payment will be made on 15th November 1991 at the rate of £5.1370 per £100 of the Stock.

Method of Application  
6. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with this prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Separate arrangements have been made under which bid-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 a.m. on Wednesday, 24th April 1991.

7. Application forms must be sent to the Chief Registrar, Bank of England (New Issues), PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 A.M. ON WEDNESDAY, 24TH APRIL 1991; or lodged by hand at the Central Gifts Office, Bank of England, Bank Buildings, 19 Old Jewry, London, not later than 10.00 A.M. ON WEDNESDAY, 24TH APRIL 1991; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON TUESDAY, 23RD APRIL 1991. Bids will not be receivable between 10.00 a.m. on Wednesday, 24th April 1991 and 10.00 a.m. on Monday, 25th April 1991.

8. Each bid must be for a minimum amount and in a multiple of Stock as follows:  
Amount of Stock applied for Multiple  
Competitive bids (minimum £100,000) £100,000  
£100,000-£1,000,000 £100,000  
£1,000,000 or greater £1,000,000  
Non-competitive bids (minimum £1,000) £1,000  
£1,000-£10,000 £1,000  
£10,000-£50,000 £5,000  
£50,000-£100,000 £25,000

9. COMPETITIVE BIDS  
(a) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £100,000 nominal of Stock.  
(b) Unless the applicant is a member of the CGO Service, a separate cheque representing the DEPOSIT DUE, i.e. THE PRICE BID LESS £50 FOR EVERY £100 NOMINAL OF STOCK BID FOR, must accompany each competitive bid. Cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited.
10. Her Majesty's Treasury reserve the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and allotment will be made to applicants whose competitive bids are at or above the lowest price at which Her Majesty's Treasury decide that any competitive bid should be accepted. (The lowest accepted price will be the lowest price at which competitive bids are accepted.) APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL BE ALLOTTED STOCK AT THE PRICES WHICH THEY BID; competitive bids which are accepted and which are made at prices above the lowest accepted price will be allotted in full; competitive bids which are accepted and which are made at the lowest accepted price may be allotted in full or in part only.

11. NON-COMPETITIVE BIDS  
(a) A non-competitive bid must be for not less than £1,000 nominal and not more than £100,000 nominal of Stock, and must be in one of the multiples described in paragraph 8 above.
- (b) Only one non-competitive bid may be submitted for the benefit of any one person. Multiple applications or suspected multiple applications are liable to be rejected.

12. Unless the applicant is a member of the CGO Service, a separate cheque representing a DEPOSIT AT THE RATE OF £50 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

13. Her Majesty's Treasury reserve the right to reject any non-competitive bid. All allotments which are made to non-competitive applicants will be made in full AT A PRICE (the price at which the Stock is issued) which will be the same OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.
14. If the non-competitive allotment price is less than £100 per cent, the balance of the amount paid as deposit will be refunded by cheque despatched by post at the risk of the applicant.
15. If the non-competitive allotment price is greater than £100 per cent, applicants whose non-competitive bids are accepted may be required to pay a further deposit equal to the non-competitive allotment price less £100 for every £100 nominal of Stock allotted to them. An applicant from whom a further deposit is required will be notified by letter by the Bank of England of the amount of Stock allotted to him and of the further deposit which he is required to pay. If he fails to pay the deposit, the amount of Stock so allotted to him will be cancelled and the amount of the deposit will be returned to him. The despatch of allotment letters to applicants from whom a further deposit is required will be delayed until such further deposit has been made.

16. Her Majesty's Treasury may allot to applicants less than the full amount of the Stock. Any balance of Stock not allotted to applicants will be allotted at the lowest accepted price to the Governor and Company of the Bank of England, Issue Department.

17. Letters of allotment in respect of Stock allotted, being the only form in which the Stock (other than the CGO Service) will be issued, will be despatched by post at the risk of the applicant, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allotted to him, subject in each case to the payment of his cheque, but such notification will confer no right on the applicant to transfer the Stock so allotted.

18. No allotment will be made for a less amount than £1,000 Stock. In the event of partial allotment, the balance of the amount paid as deposit will, when returned, be credited by cheque despatched by post at the risk of the applicant; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdraft which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on such day as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment liable to cancellation and any amount previously paid liable to forfeiture.

19. Letters of allotment may be split into denominations of multiples of £100 on written request to the Registrar's Department, Bank of England (New Issues), Southgate House, Southgate Street, Gloucester, GL1 1UV received not later than 23rd May 1991. Such requests must be signed and must be accompanied by the letters of allotment.

20. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section D of the application form, request that his Stock be credited to his account in the CGO on Thursday, 25th April 1991 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, New Issues Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 25th April 1991 shall for the purposes of this prospectus constitute default in due payment of the deposit payable in respect of the Stock. A member of the CGO Service may also, subject to the provisions of the agreement governing membership of that Service, surrender a partly-paid letter of allotment to the CGO for cancellation and for the Stock comprised therein to be credited to the member's account. The member who is shown by the accounts of the CGO as being entitled to any Stock shall, to the exclusion of all persons previously entitled to such Stock and any person claiming any entitlement thereto, both be treated as entitled to such Stock as if that member were the holder of a letter of allotment and be liable for the payment of any amount due in respect of such Stock. A member will be entitled at any time prior to registration to withdraw, in multiples of £100, Stock credited to his account and to obtain a partly-paid letter of allotment comprising such Stock, and such member shall be liable for the payment of all amounts becoming due thereafter in respect of such Stock unless and until that letter of allotment is surrendered to the CGO for cancellation as aforesaid.

21. Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 28th May 1991; registration of Stock held for the account of members of the CGO Service will be effected under separate arrangements.

22. Until the close of business on 11th October 1991, stock issued in accordance with this prospectus will be known as 10 per cent Conversion Stock, 1996 "B". The interest due on 15th November 1991 will be paid separately on holdings of the existing 10 per cent Conversion Stock, 1996 and on holdings of "B" stock registered at the close of business on 11th October 1991; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of holdings of existing stock will not be applied to the payment of interest due on 15th November 1991 on holdings of "B" stock.

23. Transfers of 10 per cent Conversion Stock, 1996 "B" may be lodged at the Bank of England for registration in that form up to 9th October 1991. After this date, for purposes of certification, the "B" stock will not be distinguished from the existing 10 per cent Conversion Stock, 1996. From the opening of business on 14th October 1991, the "B" stock will be amalgamated on the register with the existing stock. CGO account balances will have been amalgamated from the opening of business on 10th October 1991.

24. Application forms and copies of this prospectus may be obtained by post from the Registrar's Department, Bank of England (New Issues), Southgate House, Southgate Street, Gloucester, GL1 1UV; at the Central Gifts Office, Bank of England, 1 Bank Buildings, Princess Street, London, EC2R 8EL; or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyle Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN; or at any office of The International Stock Exchange in the United Kingdom.

## Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank, that no responsibility can be accepted for any omission to make such disclosure, and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND LONDON

16th April 1991

APPLICATION FORM  
This form must be sent to the Chief Registrar, Bank of England (New Issues), PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 A.M. ON WEDNESDAY, 24TH APRIL 1991; or lodged by hand at the Central Gifts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than 10.00 A.M. ON WEDNESDAY, 24TH APRIL 1991; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 P.M. ON TUESDAY, 23RD APRIL 1991.

## ISSUE OF £1,200,000,000 10 per cent CONVERSION STOCK, 1996 FOR AUCTION ON A BID PRICE BASIS

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND  
I/We apply in accordance with the terms of the prospectus dated 16th April 1991 as follows:—

SECTION A (Nominal amount of above-mentioned Stock applied for, which must be for a minimum amount and in a multiple as follows:—)  
Amount of Stock applied for Multiple  
Competitive bids (minimum £100,000) £100,000  
£100,000-£1,000,000 £100,000  
£1,000,000 or greater £1,000,000  
Non-competitive bids (minimum £1,000) £1,000  
£1,000-£10,000 £1,000  
£10,000-£50,000 £5,000  
£50,000-£100,000 £25,000

SECTION B (For competitive bids only)  
I/We apply for allotment to be made at the price bid  
Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: £ 32nds

Amount of deposit enclosed, being equal to the PRICE BID (shown in Box 2) LESS £50 for every £100 NOMINAL of Stock applied for (shown in Box 1 in Section A): £

SECTION C (For non-competitive bids only)  
I/We apply for allotment to be made at the non-competitive allotment price as follows:—  
Amount of deposit enclosed, being £50 (b) for every £100 NOMINAL of Stock applied for (shown in Box 1 in Section A): £

SECTION D (THIS SECTION TO BE COMPLETED BY CGO MEMBERS ONLY)  
CGO PARTICIPANT NUMBER ..... Telephone number .....  
Name of contact .....  
SECTION E (THIS SECTION TO BE COMPLETED BY ALL APPLICANTS)  
I/We hereby engage to pay the balance of the purchase money when it becomes due on any allotment that may be made in respect of this application, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our to me/us at the address shown below.  
IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit for the benefit of the persons on whose behalf I am/we are applying.  
IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION D, we request that any Stock allotted to us be credited direct to our account at the Central Gifts Office. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the Central Gifts Office Service, from the Governor and Company of the Bank of England, New Issues Account (Participant number 4589) by the deadline for such deliveries on 25th April 1991, and we agree that the consideration to be input in respect of such delivery shall be the aggregate amount payable by us on the allotment of such Stock in accordance with the terms of the prospectus.

Date ..... SIGNATURES .....  
or, on behalf of, applicant

PLEASE PRINT NAME AND ADDRESS  
NAME AND ADDRESS IN FULL SURNAME  
BLOCK LETTERS FULL POSTAL ADDRESS  
FT POST-TOWN COUNTY POSTCODE

(a) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and contain "New Issues". In respect of competitive bids, cheques must be drawn on a branch or office, situated within the Town Clearing area, of a settlement member of CHAPS and Town Clearing Company Limited. In respect of non-competitive bids, cheques must be drawn on a bank, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.  
(b) The procedure for any refund, or further deposit payable, is set out in the prospectus.

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## INTERNATIONAL NEWS

## Gandhi unveils radical election manifesto

By David Housego in New Delhi

MR. Rajiv Gandhi, India's Congress party leader, yesterday launched his party's election manifesto with a pledge to cut government spending by 10 per cent in a first year of office and to embark on a privatisation programme.

A Congress government would allow public sector companies to sell stock to the public. And to help mobilise private savings, it would allow the private sector to establish mutual funds - an area now reserved to state-owned institutions and nationalised banks.

Congress would also throw open road construction to the private sector. Later, the public sector would withdraw from areas such as manufacturing, hotels, petrochemicals, refineries and electric power.

The emphasis on deregulation and liberalisation reflects the views of younger economists and politicians close to Mr Gandhi who believe there is no alternative to radical change. In setting out a timetable of reform - a major feature of the manifesto - they believe a new government must act rapidly if it is not to be ensnared by bureaucratic hurdles.

With inflation at more than 12 per cent and interest payments absorbing a third of government revenues, the proposed 10 per cent reduction in expenditure represents a substantial cut in real terms. Mr Gandhi said it would be "spread across the board" - subsidies, salaries and defence. The manifesto adds that expenditure would be held at the same level in nominal terms during the second and third year of a Congress government.

Though there must be doubts whether a new government will in practice implement such severe cuts, the manifesto implies that Mr Gandhi accepts the conditions that would go with a substan-

tial IMF borrowing. The most important of these would be a major cut in the budget deficit.

The manifesto on this score will help restore Mr Gandhi's credibility with foreign governments and creditors at a time when India is seeking to avoid defaulting on its foreign debt. Mr Gandhi has been blamed by diplomats for the postponement of the March budget which precipitated the decline in India's creditworthiness.

The belief that Congress would implement an IMF package and that a Congress-led government will emerge from the elections has prompted a sharp rise on the Bombay stock market this week. Congress party officials are privately less sanguine, believing that no party will gain an overall majority and that this will reduce the prospects for radical change.

The passages on the economy constitute only a small part of the manifesto that Mr Gandhi launched yesterday. He answered questions straightforwardly and confidently, and without the facetiousness he has previously shown.

The manifesto shows Congress anxious to win votes from the very poor and the Muslims - two traditional sources of support. Mr Gandhi promised Muslims he would prevent further mosques from being "reclaimed" as Hindu temples. This concession to Muslim sentiment would seem to pave the way for a compromise with Hindus over the proposed new temple at Ayodhya.

In contrast to Mr Gandhi's known personal beliefs, the manifesto promises support for job reservation for the poor and backward castes. But unlike Mr VP Singh's National Front which has pledged up to 25 per cent job reservation in the central government for the poor and lower castes, Congress refrains from giving percentages.

## Thais take their coup with a pinch of fatalism



Panyarachan: could face military conflict

AT THE weekend, as Thais celebrated their traditional New Year by drenching each other with buckets of water, the country's generals participated in a more sedate ceremony.

They visited the former Prime Minister, General Chatichai Choonhavan, at his home and poured lustral water over his hands, a ritual indicating great respect for an elder.

And yet these were the same officers who seven weeks ago overthrew General Chatichai, accusing his elected government of naked greed and corruption, of meddling in the affairs of the bureaucracy, of ruling by "parliamentary dictatorship", and of covering up a plot to assassinate a senior member of the royal family.

General Chatichai himself was only back in Bangkok for a few days to receive the highest royal decoration. He returns this week to London, where the nervous military leadership would prefer him to live for the time being. His assets, along with those of some of his colleagues, are still frozen, as a top-level committee searches for evidence of wrongdoing.

"Foreigners don't understand Thai coups" is a typical Thai comment uttered with amusement, fatalism, or a trace of complaint.

It is triggered not only by surprise at such events as took place at the weekend but also by the initial hesitancy of foreign investors and tourists, the queries of non-Thai organisers of the World Bank and IMF annual meetings due to be held in Bangkok in October, and the concern of human rights organisations about the situation in Thailand following the bloodless coup of February 23.

But Thais, too, can be taken by surprise, as they were on February

23. Thailand was supposed to have progressed out of almost 50 years of on-off military rule. After 11 years without being able to stage a successful coup, the army was supposed to be more restrained; its officers were supposed to be more modern in outlook and to have greater respect for the country's maturing political system and, just in case they were not, the rapidly growing business community was supposed to represent an important counter-force.

Whatever the announced reasons,

the main cause of the coup was a steadily worsening and irreconcilable rift between the unusually unified military and the elected government, culminating in General Chatichai's attempt to sack General Sunthorn Kongsompong, armed forces' supreme commander.

And it was this same General Sunthorn, now chairman of the National Peace-Keeping Council, as the junta calls itself, who led the top brass to pay their New Year respects to General Chatichai.

As the country's political system adjusts to the opposing traditions of military bravado and outward, conflict-avoiding compromise, and to more recent democratic habits, most Thais have hardly been affected by the coup. Many freedoms remain almost unchanged, and those that are curbed should return to normal if elections are held on schedule next year.

Despite the continued enforcement of martial law and the short-lived detention of a handful of anti-coup protesters, the main cause

of tension in Bangkok has been the chaos brought about by yet another attempt to re-organise the city's one-way traffic system.

But Thailand's political system is also facing a change of direction, and some collisions cannot be ruled out. This week's passage of bills to curb the activities of public sector unions was achieved without public protest because of martial law.

The civilian Prime Minister, Mr Anand Panyarachun, previously a staunch opponent of military dictatorships, has proclaimed that his

position over the government and has summary power - shared with the prime minister - including the possibility of ordering execution without trial.

Half of the newly-appointed National Assembly comprises serving officers, and many of the rest are close to the military. The swift passage on Monday of two controversial bills depriving state-enterprise unions - the stronger section of Thailand's weak labour movement - of political activity and the right to strike, shows just how amenable the assembly is likely to be to the junta's wishes.

Many analysts predict that the Anand Government could find itself in conflict with the military, especially if some of the general's actions lead to a further weakening of democracy, particularly in foreigner's eyes, at a time when Thailand's image abroad is considered to be important, if foreign investment and economic growth are to be sustained.

Also likely to be controversial is the drafting of the new constitution which, according to the junta's interim charter, has to be completed with elections held by April next year. The drafting committee appointed on April 4 is charged with devising a document that would discourage vote-buying, a problem that has worsened in recent years.

The Thai public showed little attachment to their elected representatives, but the mood might change if the media were muzzled, if the military were to interfere more in civilian affairs, or if the junta were to take a liking to power.

"If they stay beyond April (next year), there will be trouble," warns one Thai businessman, who wholeheartedly endorsed the coup.

## Peter Ungphakorn reports on the calm after a bloodless takeover

government will conduct sound economic policy "transparently."

The 58-year-old businessman and former diplomat is supported by a cabinet comprising some of the country's best-known technocrats and businessmen - and only a handful of generals - who are determined to show that they can govern competently, honestly, and independently of the junta, with some accountability and sensitivity to public opinion. Hence, the emphasis on "transparency."

Despite the complaints about misunderstanding abroad, tourism and investment are picking up, following the Gulf ceasefire. And the national planning agency has increased its forecast of economic growth for this year to 9 per cent, which would keep the Thai economy among the fastest-growing in the world for a fourth consecutive year.

The National Peace-Keeping Council has retained ultimate political control. It has promised not to interfere, but has a supervisory

### NEWS IN BRIEF

## Mrs Mandela takes stand in kidnap trial

Mrs Winnie Mandela gave evidence for the first time yesterday in her two-month-old trial on kidnapping and assault charges, Reuters reports from Johannesburg.

Her lawyer, George Bizos, said she denied all the allegations. "No one was assaulted by her and no one was assaulted in her presence," he told the Rand Supreme Court. He later began questioning the wife of ANC deputy president Nelson Mandela on her social and political background.

The state accuses Winnie Mandela, Kholiswa Falati and John Morgan of arranging the kidnapping of four black activists from a church hostel on December 29, 1988. It alleges they were held hostage at Mandela's house and brutally beaten, kicked and whipped.

## Australians win 2.5% pay rise

Australia's 7m workers were awarded a 2.5 per cent pay rise by the nation's wage fixing body yesterday, but union and government officials say the decision will hurt those with low income, Reuters reports from Canberra.

The Industrial Relations Commission awarded the rise after submissions from the government, employers and unions, rejecting a flat A\$12 (US\$25) a week rise sought by the unions.

Mr Peter Cook, industrial relations minister, said the commission's decision, effective immediately, would give workers on an average weekly wage of about A\$360 a rise of almost A\$18. But workers on the minimum of A\$432 would receive a rise of less than A\$11.

Mr Cook said the 1990/91 budget forecast of 6.5 per cent for inflation might be slightly lower because of the wage decision.

## Taiwan deputies stage walk-out

Opposition deputies walked out of Taiwan's legislature yesterday as the island braced itself for a pro-democracy demonstration that could end in a violent confrontation with police, Reuters reports from Taipei.

State radio said President Lee Teng-hui would make a rare address to the nation last night to discuss the brawling between rival deputies that paralysed parliament last week and the opposition's decision to take to the streets.

The main opposition Democratic Progressive Party (DPP) plans a big demonstration in central Taipei today.

## Anniversary crackdown in Tibet

Authorities in Lhasa have arrested 30 people as part of a crackdown on crime before the 40th anniversary of Chinese communist rule over Tibet, Reuters reports from Peking. China plans to celebrate four decades of Chinese communist rule over the Himalayan region next month.

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As of 3rd April, 1991, the principal amount of such Bonds remaining in circulation was

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Luxembourg, April 17, 1991

EUROPEAN INVESTMENT BANK

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## WORLD TRADE NEWS

## William Dullforce analyses Gatt's report on the European Community

## Poor marks for EC external trade practices

THE GENERAL Agreement on Tariffs and Trade's review of the European Community's trade policies, released yesterday, finds a striking contradiction between the EC's internal and external behaviour.

Internally, the Community is eliminating discrimination. It is creating a single market, in which the free movement of goods, services and capital will be assured and internal barriers to trade will disappear.

Externally, in contrast, the Community has been pursuing highly discriminating practices, according to the Gatt secretariat. It complains that the EC has put in place a "complex hierarchy" of preferential trading arrangements and built up a network of bilateral agreements with other countries, which introduce "strong elements of discrimination" into the multilateral trading system.

In the most outspoken report it has published since it started reviewing national trade policies in 1986, Gatt also raises several questions about the Community's institutional framework.

One concerns the transfer of national power to Brussels, specifically to the EC Commission. Gatt points to the lack of a statutory independent body at the Community level to act as a watchdog in trade matters, and it notes that the European parliament plays only an advisory role in trade policy.

The system under which the Com-

mission proposes and councils of 12 ministers dispose favours "sector-specific views" against overall economic or trade considerations, when policies are formulated, the Gatt secretariat says.

Coal, steel, cars and semi-conductors are cited as examples of the EC's penchant for pursuing individual industries' interests separately. But the most glaring case has probably been in agriculture, where decisions by the 12 farm ministers effectively prevented the Uruguay Round international trade liberalisation negotiations from ending on schedule last December.

The Round has demonstrated the difficulties EC member states experience in coming to a common negotiating position and the inflexibility inherent in its decision-making system once a common position has been agreed, Gatt says.

Summing up its findings, Gatt considers that, as the world's largest exporter and importer, it is time that the EC matched its internal integration with "a parallel lifting of its external barriers and closer adherence to the fundamental principles underlying the multilateral trading system".

The Gatt report is by no means totally disparaging about EC external policies. The Community is defended against the charge that its drive towards a single, internal market is creating a "fortress Europe". Brussels has not raised protectionist barriers



overall in the last three years; its trading partners are sharing in the stimulation given to internal economic growth through the spillover into import demand.

Tariff barriers against imports are moderate at a trade-weighted average of 5.1 per cent and almost all industrial tariffs are "bound" by an undertaking not to increase them.

However, Gatt considers that the value of these tariff bindings has been eroded by the EC's propensity to strike bilateral agreements "targeted against the most competitive foreign suppliers" among its trading partners.

EC textile and clothing manufacturers are shielded by 19 bilateral agreements under the Multi-Fibre Arrangement and by "self-restraint" deals

with exporters in Mediterranean countries.

Some 60 bilateral export restraint accords are in place. The most notorious concern Japanese exports of cars, machinery, electrical and electronic equipment to the EC but South Korea now appears to rank second with agreements on frozen squid, footwear and video-tape recorders. The EC Commission told the Gatt that it was "not aware" of some of these measures.

Information about the parties involved, the trade covered, the degree of restriction, the duration or regional application of these agreements within the EC is limited, Gatt says. The accords reduced "transparency" in the multilateral trading system and they tended to become entrenched, insulating them from being delayed rather than promoting structural adjustment in the EC industries concerned.

Brussels rarely resorts to the safeguard action allowed under Gatt rules to provide temporary respite for industries badly hit by foreign competition. EC officials told the Gatt that they regarded selective restraint agreements with major exporters as less contentious and more efficient.

To conform with Gatt, safeguard measures must be temporary, applied to all exporters of the products concerned and restriction on imports of one sector must be compensated by liberalisation in other areas. A German safeguard measure pinpointed in

the Gatt report restricts coal imports. Dating back to 1953, it holds the Gatt record for longevity.

Reproaching the EC for preferring "pragmatic solutions", such as bilateral restraint arrangements or anti-dumping measures, Gatt warns that continuing with this approach would offer "a major threat" to a multilateral trading system founded on principles of non-discrimination, transparency and undistorted competition. The report notes with approval that the EC Commission has recently argued strongly against the selective approach.

Another target of Gatt criticism is what it describes as the Community's multi-layer system of trade preferences towards other countries. The EC accords preferences under free trade agreements with the six countries of the European Free Trade Association and Israel; under association arrangements with Turkey, Malta, Cyprus and 69 African, Caribbean and the Pacific countries; and under co-operation agreements with eight Mediterranean countries. Similar deals are under negotiation with east European countries and members of the Arab Organisation, the Gulf Cooperation Council.

About 60 per cent of EC imports derive from countries participating in preferential schemes but the Gatt secretariat claims that the benefits are frequently only partial, show disparities in treatment and, again, raise the question of discrimination.

## EC trading partners

Share in total EC merchandise imports: 1989

	Developed countries 60.6%	Developing countries 39.4%
US	18.7%	11.9%
Japan	10.4%	7.6%
Switzerland	7.2%	6.1%
Sweden	5.7%	5.6%
Austria	4.3%	
Norway	3.6%	
Soviet Union	3.4%	
Brazil	2.3%	
Finland	2.2%	
Canada	2.2%	
		Eastern Trading Area 8.7%
		Asia
		Africa
		Middle East
		Latin America

Source: European External Trade Statistical Yearbook, and monthly statistics

## Brussels says Gatt criticism is unbalanced

THE EUROPEAN Community dismissed suggestions that its trade policy is dominated by restrictive measures as unbalanced.

Criticism in Gatt's review failed to recognise the basic openness of the EC market and the contribution to the growth of world trade in recent years, Mr Roderick Abbot, EC director for external trade relations, told the Gatt council.

In a written report to Gatt, in which it listed the problems it faces with the US, Japan and some leading developing countries, the Commission said the EC was operating in a far from perfect world - which might explain some unjustified barriers.

In some sectors, in which the EC had been criticised more than twice since 1978, about 85 per cent of steel imports entered with no other obstacle than normal low or preferential zero tariffs. Even for cars the level of import penetration was already relatively high.

The EC's fundamental objective was to support and strengthen the multilateral trading system and Gatt, Mr

Abbot said. But the multilateralism defended by the Gatt secretariat was not antithetical to preferential, regional and bilateral trading arrangements, all of which were allowed under Gatt rules and complemented the multilateral system.

Trade preferences could be of value for certain products from an individual country but did not in themselves alter the overall pattern of trade flows in an open economy.

"Gatt failed to recognise the basic openness of the EC"

The EC gave greater preference to the African, Caribbean and Pacific countries, but their share in EC imports from all developing countries had fallen from 20 per cent in 1970 to 14 per cent in 1989.

Brussels used bilateral export restraint agreements because the safeguard action permitted by Gatt against imports threatening domestic industries was difficult to apply and of too short duration to be effective in restructuring industries like textiles.

Changes to the Gatt safeguard rules foreshadowed in the Uruguay Round could result in fewer bilateral agreements being struck.

## Distortions in farm trade highlighted

GATT'S REPORT on the EC polities how individual governments complicate the Community's external agricultural policy by setting up farm support programmes of their own and continue to insulate their domestic markets from trade effects.

Taking Germany as an example, Gatt shows how the federal government had succeeded in "defusing reform efforts" by the EC Commission. Germany has changed value added taxes and considerably expanded federal aid to "disadvantaged regions" which make up half its total agricultural area. In 1988 federal aid amounted to DM445m (148.80m) up from DM65m

in 1983. Gatt points out that the bulk of farm commodities produced and consumed in the EC are decoupled from the world market through the system of variable levies by which Brussels bridges the gap between high EC farm prices and lower world market prices.

This leads to an odd situation from the point of view of the multilateral trading system. The EC's major imports are coffee, soybeans, oilseeds and cereals, to which variable levies do not apply, while Brussels pays export subsidies, amounting to Ecu50m (24.14m) in 1989, to find markets for surplus EC output of cereals, milk products and beef.

## Anti-dumping policy under scrutiny

CONTROVERSY over the European Community's use of anti-dumping measures is likely to be stimulated rather than stilled by Gatt's trade policy review.

Gatt notes that the EC ranks among the most intensive users of anti-dumping measures worldwide and that EC officials consider its anti-dumping and anti-subsidy law to be "one of the most important instruments of its common commercial policy".

Dumping occurs when a manufacturer sells a product on an export market at a lower price than that charged on its home market. If dumping can be proved, Gatt rules allow the importing country to impose duties on the product, to protect its own manufacturers.

Other countries, in particular Japan and Asian exporters such as Hong Kong and South Korea, have charged Brussels with using the anti-dumping instrument arbitrarily. EC "screwdriver plant" legislation applying anti-dumping action to products assembled within

## EC ANTI-DUMPING ACTIONS: 1980-89

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	Total
Complaints	62	46	75	57	38	44	37	37	37	37	449
Initiations	36	24	39	40	27	37	37	37	37	37	378
Measures taken	12	29	16	18	14	27	27	27	27	27	279
of which: definitive duties	8	4	8	18	9	36	36	36	36	36	36
or price undertakings	4	25	8	0	5	1	1	1	1	1	1
Findings of no dumping	2	4	4	0	0	34	34	34	34	34	34
Findings of no injury	15	7	4	0	5	5	5	5	5	5	5
Measures in force	169	187	169	133	120	120	120	120	120	120	120

\* Figures refer to measures taken after Jan 1 1990

Source: EC Commission

the Community from imported parts, has already been mentioned by a Gatt disputes panel.

Between 1980 and 1989 the EC implemented 256 anti-dumping measures, the most conspicuous being those taken against imports of Japanese electronic equipment. In roughly two cases out of three the exporter undertook to raise his price rather than have a duty imposed.

Brussels' claim that no more

than about 1 per cent of total EC imports have been subjected to anti-dumping charges excludes these price undertakings.

Moreover, Gatt argues that the uncertainty generated by the EC's frequent resort to anti-dumping action is likely to affect a larger volume of trade. It cites evidence that countries have voluntarily restrained exports to the EC.

Gatt highlights an arrangement reached by the EC Com-

mission in February under which seven Japanese producers of advanced Egon semi-conductors agreed to price undertakings and the Commission threatened to impose a 94 per cent duty on any newcomer not prepared to give a price undertaking.

A public interest clause in EC law has apparently had no major impact on Brussels' anti-dumping practices, Gatt says. It notes that only two of the 40 anti-dumping investigations launched between mid-1987 and mid-1988 were terminated within the 12 months stipulated by EC Council regulations.

The EC Commission argues that its anti-dumping practice is fair, equitable and in many instances more liberal than that of other countries.

The size and accessibility of the EC market made it a prime target for dumping and it was essential for EC producers to benefit from an effective instrument against unfair pricing, the Commission said.

## Brazil to abolish law on information technology

By Christina Lamb in Brasilia

THE Brazilian government is planning to allow foreign companies to produce software in Brazil and to abolish the controversial "law of similars" which prohibits the import of information technology similar to products manufactured by Brazilian companies.

The decision was taken last Friday by the National Informatics Council (Conin) which meets today to put the final

touches on a new law intended to allow foreign firms to produce software in Brazil and open up this most protected area of the country's economy.

If the new law is passed by the Brazilian Congress it will end a long-running trade row with the US and will be welcomed by foreign companies wanting to enter Brazil's market and which hope it will put an end to widespread piracy.

However the law's passage through Congress is not expected to be easy as it will spell the demise of many Brazilian computer companies.

Information technology products in Brazil generally cost three times the price in the US and are widely thought to be a generation behind. Mr Gregorio Diaz, president of the US company Microsoft in Brazil, says: "There is an incredible

amount of repressed demand in this country and Brazil is currently foregoing lots of opportunities." He welcomed the Conin recommendations but warned: "Let us see how it will be implemented."

As part of President Collor's commitment to liberalisation, his government has already promised to ease the market for Brazilian information technology by October

1992. The delay is intended to give national industry time to become competitive. However with Brazil currently in recession national computer companies have little resources for modernisation and were furious last October when the government reduced the list of protected products but did not free the components considered necessary for national companies to modernise.

Consequently many companies are now seeking foreign partners. Since this was allowed in October two Brazilian companies, SID and Elebra, have signed joint ventures with IBM and Digital respectively. Both IBM and Digital have long been operating in Brazil. With direct access in sight foreign companies not already in Brazil feel they have little to gain from joint ventures.

## China warns US not to end MFN status

CHINA's de facto embassy in Hong Kong has warned Washington that suspending China's most-favoured nation (MFN) status would equally hurt the US, the Peking-funded newspaper Kuang Hui said yesterday. Reuter reports from Hong Kong.

President George Bush must decide by June whether to renew China's MFN status - a reciprocal arrangement that places the lowest available tariffs on each nation's exports. He is under pressure from Congress to scrap the arrangement in protest against China's crackdown on dissent in Peking in June 1989.

Wang Fuxing, vice-director of the New China News Agency's office in the British colony, said in Canton on Monday he believed Washington

was seriously considering what to do. This was because ending China's MFN status would also affect Hong Kong and basic US interests, he said.

Wang added that human rights issues could not be used to set international trade policies. He said the incident in Peking was past, adding that China and the US had never shared the same views on human rights.

Li Peng, the Chinese prime minister, visited Washington on April 10 that relations would be seriously damaged if China's MFN status were suspended.

US figures show China ran a trade surplus with the US of \$10.4bn (\$5.8bn) last year. Washington officials believe the gap could grow to \$15bn this year.

## Australians win Boeing tail deal

BOEING of the US has awarded contracts worth around A\$456m to supply major portions of the composite tail cone sections for its 777 airplane to two Australian aerospace companies, AP reports from Canberra.

Boeing said yesterday that AeroSpace Technologies of Australia (Asta) will provide the airplane's rudder, while Hawker de Havilland will produce elevators attached to the horizontal stabilizer.

The Boeing 777 will be the world's largest twin jet when it begins service from 1993. AeroSpace Technologies of Australia provides the rudder for the 757 jetliner and the leading-edge Krueger flaps for the 747. Hawker de Havilland produces elevators for 737s, and wing ribs for the 737.

## India tightens controls on exports to Soviet Union

INDIA, reeling from a severe foreign exchange crisis, has tightened rules on the sale of goods with a high import content to the Soviet Union, senior government officials said yesterday. Reuter reports from New Delhi.

The decision, which took effect last week, was prompted partly by the shortfall in Soviet crude oil exports to India and abuse by Indian exporters of tax concessions, they said.

"With the rise in exports of our high-import goods to Russia and a slowdown in Soviet exports, we are becoming net losers in foreign exchange," one senior official said. "Due to the slowdown of Soviet exports, Russia owes us about \$1m in unpaid credit for trade over the last three

years," said the official, who declined to be identified. Economists estimate that about 15 per cent of India's total trade is with Moscow, its main arms supplier and chief diplomatic ally.

India pays for its imports from the Soviet Union in rupees under a bilateral 1981-1985 trade pact.

The curbs on Soviet exports were the latest in a series of government responses to India's perilously low foreign exchange reserves, which are barely enough for a month's imports.

Commerce ministry officials said the export of goods such as electronic products, machinery, chemicals and pharmaceuticals would fall under the new rules.

Exports of local products such as leather goods, textiles and tea would continue without restriction, he said.

Goods with foreign input of up to 80 per cent were previously allowed for export to the Soviet Union. No duty was levied by the Indian government on the imported items. Officials declined to give details of the new guidelines.

Imports of crude oil and oil products, key commodities under the trade pact, fell 300,000 tonnes short of the contracted amount in the year to March 1991, and industry officials said further shortfalls were likely.

India contracted to buy 7m tonnes of crude oil from the Soviet Union in 1990/1991.

## LEGAL NOTICES

## CURRENT ELECTRICAL COMPANY LIMITED

Registered member: 89111  
Share of business: Electrical contractors  
Trade classification: Electrical contractors  
Date of appointment of joint administrative receiver: 25 March 1991  
Area of person appointing the joint administrative receiver: England and Wales  
Joint Administrative Receiver: JESSIE PATRICK CONNOR and Richard John Smith  
Joint Administrative Receiver: Vice holder nos 005 and 006 of Cork City Council  
Joint Administrative Receiver: 100011 Way  
Joint Administrative Receiver: 100011 Way

## WINDSON LIMITED

Mr Nigel J. Vought and John Martin Ireland  
Cork City, 9 Greyfriars Road, Ranelagh,  
Dublin, D04 Y4G were appointed joint  
administrative receivers of Windson Limited  
(registered No: 1805186, by Midland Bank  
C on 28 March 1991).

J. Vought  
Joint Administrative Receiver.

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## FOOD INDUSTRY

The FT proposes to publish this survey on May 10th 1991. It will be of particular interest to the 61% of European Chief Executives in food and related industries who are regular FT readers. If you want to reach this important audience, call Jonathan Wallis on 071 873 3565 or fax 071 873 3062.

## FT SURVEYS

## Tokyo sees way out of chip pact dispute

THE framework of a compromise solution will be on the table when US and Japanese officials meet in Tokyo tomorrow to discuss their long-standing dispute over microchip trade, a Japanese trade official said, Reuter reports from Tokyo.

The talks, on renewing a five-year pact, will centre on the contentious issues of market share in Japan and trade sanctions in the US.

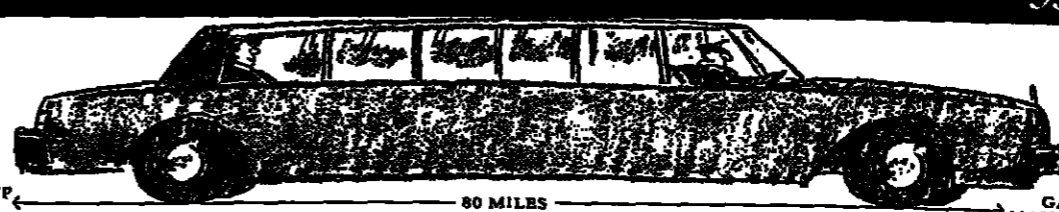
The 1986 microchip pact, which expires at the end of July, was designed to stop Japanese dumping, or selling microchips below cost, in the

US and third-country markets and to give foreign semiconductor makers a better chance to sell their products here.

Japanese officials said they would consider a US request that a new pact specify a 20 per cent share of Japan's microchip market as a target for foreign chips, but on condition the figure is not a guarantee.

In return, Tokyo wants Washington to drop 100 per cent tariff imposed on \$166m (\$92.10m) of Japanese goods because of Tokyo's alleged failure to live up to its pledge to improve foreign microchip makers' access to Japan.

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07/1/91 15:20

## UK NEWS

## Regulatory body plans new rules on investment

By Richard Waters

LONDON'S Securities and Investments Board (SIB), the umbrella regulatory body, yesterday proposed detailed changes to the rules on how investment firms handle their clients' money.

The SIB, however, shied away from suggesting significant changes of principle, despite concern expressed after the collapse of British & Commonwealth Holdings, the financial services group which went into administration last year.

The proposed changes are prompted by experience over the last three years of operating the existing rules, and of difficulties experienced when investment firms collapse, the SIB said. The changes include:

- If clients of an investment firm specify a bank where they want their cash to be held, this money will not be "pooled" with that of other investors if another bank used by the same investment firm collapses.

- The SIB decided not to change its rule on pooling in other cases. This rule, under which all investors get back the same share of their investments after a firm goes bust, is the fairest and most cost-effective way of handling such cases, the board said.

- Investment firms will have to warn clients if they may put money into a bank owned by the same group. This is a partial response to the B&C case, where investment firms within the group deposited money in a sister bank, British & Commonwealth Merchant Bank.

- The proposal falls well short of another idea considered by SIB, which would have restricted firms' ability to deposit client money with related banks.

- Investment firms will have to notify professional investors if their money is not held separately from the firms' own funds.

This is a response to the failure of Drexel Burnham Lambert, after which it emerged that some professional investors had not realised that their funds were intermingled with those of the firm rather than being held in segregated accounts.

Many of the other changes are aimed at simplifying procedures for investment firms.

Proposals for Amended Client Money Regulations, SIB, £20

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## Kinnock ends backing for unilateral disarmament

By Philip Stephens, Political Editor

MR NEIL KINNOCK abandoned yesterday the last vestiges of the Labour party's support for unilateral nuclear disarmament.

The shift, designed to defuse defence as an issue in the election campaign, came at the launch of a 27,000-word policy document promising to combine economic prudence with a comprehensive programme to "modernise" Britain.

In an attempt to refute ruling Conservative charges that Labour would negotiate away Britain's deterrent in return for a fraction of the Soviet nuclear force, Mr Kinnock said that: "We have at no stage... made a commitment to getting rid of all nuclear weapons for as long as others have them".

His comments will dismay those on the left of his party, but were seen by senior members of the shadow cabinet as filling the last gap in Labour's defence strategy.

The Labour document, entitled "Opportunity Britain" will

emphasise its claim to what is becoming the political slogan of the 1990s, marks the final stage in the shift into the centre ground of politics which began with the 1987 election defeat.

The document puts a commitment to revolutionise Britain's education and training at the heart of a strategy which Mr Kinnock declared would provide a "confident and commonsense lead into a better future".

It emphasises repeatedly that Labour's spending plans - from those on education and the NHS to those needed to meet pledges to encourage industrial investment - will be met only when economic growth permits. Mr Kinnock said those on average earnings would not be hit by Labour's intention to raise the ceiling on National Insurance contributions and to increase the top rate of tax to 50 per cent.

Labour also set out in detail its plan to radically restructure government decisions on public

spending and taxation. In an attempt to prevent a pay explosion wrecking its plans for increased investment in industry and in education and the health service, Labour plans to wrap its public spending decisions into the annual budget.

The announcement will follow a "National Economic Assessment" in which employers and trades unions will be invited to make a judgment on what the country can "afford" in the annual pay round. The implication is that excessive awards would be followed by tougher decisions on tax and public spending.

The launch coincided with agreement by a government Cabinet committee on a property-based alternative to the poll tax, the government's failed per capita tax. The new tax, which will set out as a firm recommendation in a policy document next week, will be based on the capital values of houses and flats, with a discount for those living alone.

## Party makes overture to small investor

By Ralph Atkins

LABOUR is seeking to steal the Conservatives' claim to be the party of wider share ownership with a package of proposals for encouraging investment in the UK economy by individuals.

Ms Marjorie Mowlam, the party's City of London spokesman yesterday told a London conference that contrary to the impression given by the government, small investors were being "systematically squeezed" out of the market.

She blamed "harsh" commission charges and the government's failure to provide "even

reasonable protection" for consumers.

Labour proposals for the small investor are aimed at creating a framework for encouraging both individual share ownership and a stable source of development finance. Proposals include simplifying documentation and lowering transaction costs. There would be a greater emphasis on training in the financial services industry and a streamlining of the system of self-regulatory bodies in the City.

Ms Mowlam said the proportion of all shares owned by

individuals had fallen under the Conservative government despite privatisations.

Speaking to the annual conference of the Investor Relations Society, Ms Mowlam said Labour would review the existing Investor Compensation Scheme but stopped short of setting out Labour's preferred changes. She acknowledged agreement would have to be reached with Britain's European partners.

Labour favours linking personal savings to local and regional development as well as the national economy.

## Labour moves to centre ground

Philip Stephens examines the party's latest manifesto pledges

There are three battlegrounds on which the Conservatives hope to fight the next general election. They have not changed since 1983 and 1987.

Despite Mr Neil Kinnock's undoubted success in dragging Labour into the centre-ground of British politics, the Conservatives' research show he is still vulnerable on three issues - the economy, defence and the trades unions.

Labour's "Opportunity Britain" - the draft programme for government which will form the basis of its election manifesto - suggests that Labour shares privately the same judgment.

The document, from a party which has sustained its recent momentum by being "never knowingly underlaunched", builds on rather than displaces its two predecessors - Meet the Challenge and Looking to the Future.

Mr Kinnock summed up the general theme in his opening remarks at yesterday's typically slick launch with the comment that: "The old ideologies - command economy at one extreme, crude free market economics at the other - do not work".

Put another way Labour's alternative to Thatcherism is no longer socialism, but the centrist social democracy which - and the document reminds us of this repeatedly - works well in France or Italy, even Germany.

For the thesis to be credible, Mr Kinnock has to show that Labour can turn the Tories' chosen battlegrounds into neutral territory. His hopes rest upon what it does not promise as much as on what it does.

Beyond a general commitment to defend the realm, the document restricts its comments on nuclear disarmament to a reference to the party's previous statements. But Mr



Neil Kinnock: has to show that Labour can turn the Tory battlegrounds into neutral territory - his hopes rest upon what it does not promise as much as on what it does

Kinnock and Mr Gerald Kaufman, the shadow foreign affairs spokesman, added an important gloss to reassure the electorate.

The pledge to negotiate away Britain's independent deterrent did not, they stressed, mean that a Labour government would give up nuclear weapons in exchange for a Soviet move to scale them down. Instead it would keep open the option of retaining some nuclear capability as long as the Soviet Union - and any other country for that matter - held a nuclear arsenal.

The lengthy section on the economy is similarly full of reassuring noises. There are two firm public spending pledges - to restore the real value of child benefit and to increase the state pensions - but every other commitment will have to wait its turn in the queue. "There will be no irresponsible dash for growth under Labour".

The Conservatives undoubtedly will produce their own costings for plans to increase capital allowances for industrial investment, for a training "revolution", for the commitment to transform educational opportunities, for new Technology Trusts and for a more responsive health service.

Mr Kinnock's response is already there. Labour has learnt to balance its ambitions with prudence. "We will not spend, nor will we promise to spend, more than Britain can afford".

Nationalisation is not a word in the new Labour vocabulary. Instead the party plans to take "control" of the national electricity grid. The other privatised industries - including perhaps British Telecom - look safe in terms of ownership but would be subject to a tighter regulatory framework.

The basic strategy is underpinned by a commitment to preserve sterling's place in the ERM and an apparently casual acceptance of the inevitability

of European Economic and Monetary Union. London, the document says, is the natural home for a European Central Bank.

There is no change in the proposals of Mr John Smith, the shadow chancellor, to raise the top rate of tax to 50 per cent and to abolish the ceiling on National Insurance payments.

The calculation is that only a little over 10 per cent of those in work would suffer.

The language on industrial relations still bears the imprint of Labour's intractable ties with the trades unions. "We fully support and advocate 100 per cent trade union membership at the workplace", it says. But the closed shop does not merit a mention and, as elsewhere, the emphasis is on "best European practice".

The Tories are convinced that there is still plenty in the document shoot at. But Mr Kinnock has further narrowed the angle of fire.

## Failed tour company returns in new guise

By Clay Harris

A SCHOOLS tour operator which ceased trading before Easter has emerged in a new guise, employing the same staff.

Its failure, and that of a competitor have created a financial crisis for the Association of British Travel Agents (Abta), which is faced with a £3.5m bill to bail out the two companies' customers.

Adventure Travel International (ATI) has emerged as School Life and is expanding schools which had booked holidays with ATI, offering to provide the same or similar trips. School Life says Abta and ATI's administrative receivers have approved its approach to schools, a claim denied by both parties.

ATI, based in West Yorkshire, is one of several school operators to collapse since February. A letter received by one school in Kent says School Life is "backed by" Midland Fox, a bus and coach operator. Mr David Martin, Midland Fox's managing director, said School Life was a trading division of his company.

At School Life, Ms Ryan said: "We have retained the [ATI] staff because of their experience in putting together

ours." Asked if this included Mr Nigel Parker and Mr David Constance, ATI's founders who sold the company in January but remained as consultants, she said: "They're both involved at the moment, at least until everything is sorted out."

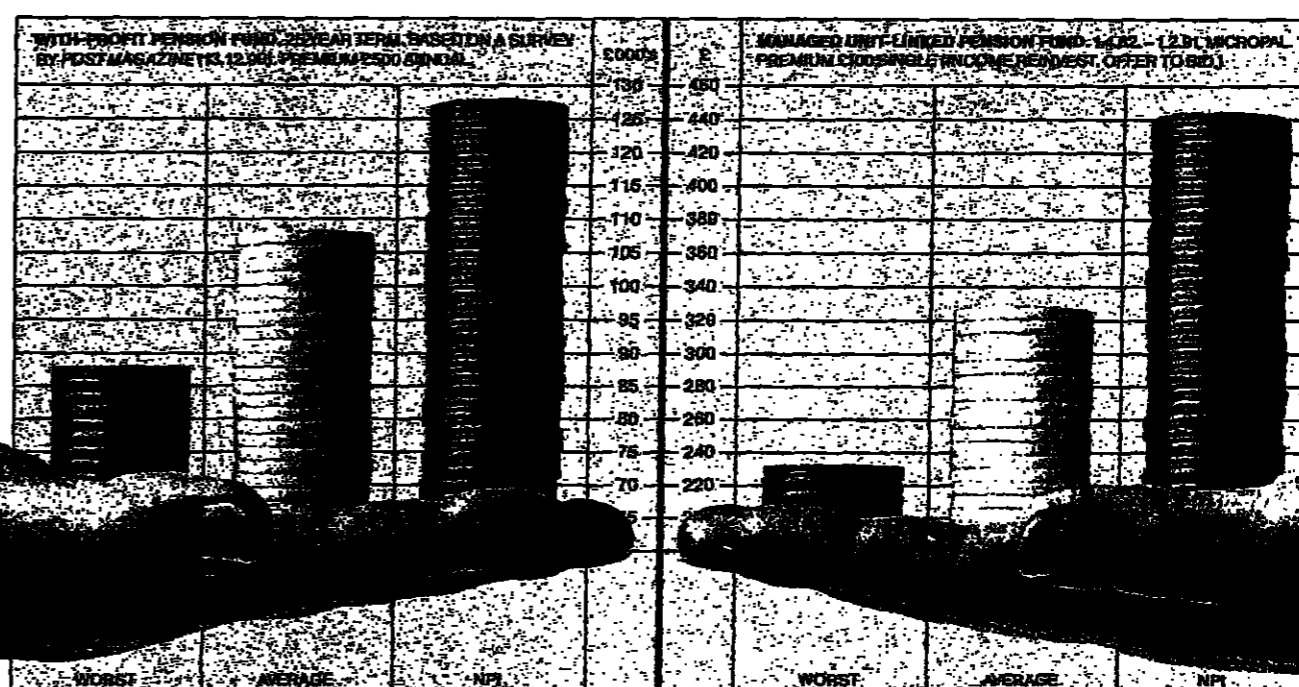
One school approached by School Life was Sowerby Bridge High School, West Yorkshire. Mr Russell Lawrence, a physical education instructor who helped to organise a trip due in July, said a message from Ms Suzanne Baxter of School Life was waiting when he returned from Easter holidays.

Ms Baxter, formerly customer services manager at ATI, offered to re-arrange the school's trip Mr Lawrence said. Mr Lawrence decided not to do so. He will apply to Abta for a refund of the £4,200 deposit lodged with ATI.

Rank Organisation, the leisure group which owns New World Travel, a school holidays operator, has acquired the summer booking files of Adventure Express from its receivers. Adventure Express, based Buckinghamshire, south-east England, ceased trading on March 28, the same day as ATI, but is not related to it.

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The distribution due on the Preference Shares, as of 10th May, 1991, will be calculated at 7.25 percent per annum of the Issue Amount of the Preference Shares of US\$5,000 each amounting to US\$181.25 per share. If the full preferential dividend is not paid on the due date, the balance of such dividend will be carried forward for payment on a subsequent payment date.

It is expected that dividend cheques, or payment by transfer to a US dollar account maintained by an IDR holder with a bank in New York, New York, U.S.A., will be despatched, or made, as the case may be, to IDR holders on 10th May, 1991 subject to timely presentation of the relevant coupons. Such coupons should be surrendered at least two clear business days (i.e., by 7th May, 1991) prior to the dividend payment date either at the office of Chase Manhattan Bank Luxembourg, S.A., as Depositary, or at the offices of the Paying Agents named in the coupons.

By Order of the Board  
Ronald A. Brown  
Secretary

Hong Kong, 17th April, 1991

## UK NEWS

## Guinness case counsel 'stunned'

By Raymond Hughes

THE Appeal Court in London was told yesterday of "consternation" at Southwark Crown Court after the jury retired to consider its verdict in the Guinness trial last summer.

Miss Clare Montgomery, for Mr Anthony Farnes, a London stockbroker, said that counsel was stunned when, in his summing-up, Mr Justice Henry told the jury they need not deal with charges brought under section 151 of the 1985 Companies Act.

From the time of the pre-trial hearings the judge consistently declined to remove those charges from the indictment but had asked the prosecution to do so, because he regarded them as inconsistent with other charges under the Theft Act, Miss Montgomery said.

Mr Farnes, serving a two-and-a-half year jail sentence in an open prison, Mr Ernest Saunders, former Guinness chairman and chief executive, serving five years, and Mr Gerald Ronson, head of the Heron group, fined \$5m and released in February after serving just under half his 18-month sentence, are appealing against their convictions and sentences. Central to the appeals is what is claimed was Mr Justice Henry's misdirection of the jury on section 151, which makes it an offence for a company to give financial assistance for the purchase of its own shares. The appeals continue today.

## Underlying inflation still haunts economic policy

By Peter Norman, Economics Correspondent

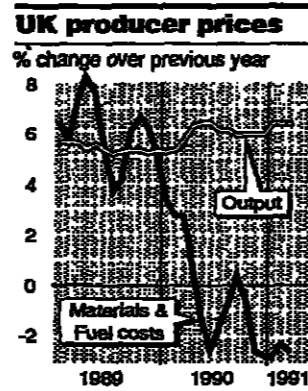
THE UK government yesterday received a sharp reminder that underlying inflation remains a problem with news of another large increase in the price index for British manufactured goods last month.

The Central Statistical Office (CSO) reported that the price index of goods at the factory gate, which is not seasonally adjusted, rose 0.7 per cent between February and March and was 6.3 per cent higher than in March last year. The annual rate of increase for output prices has stayed unchanged at 6.3 per cent in the first three months of this year.

Treasury officials said the figures justified the government's cautious approach of cutting bank base rates by half a point at a time in recent weeks despite the strength of sterling in the exchange rate mechanism of the European Monetary System.

News of the March producer price rise contributed to a fall in February equity prices, which earlier yesterday had reached a new trading high. Investors reckoned that the government would now be less likely than before to contemplate an early cut in bank base rates from the 12 per cent level set last Friday.

There were, however, some grounds for optimism in yesterday's output price figures. Much of the monthly increase



reflected higher prices for food, drink and tobacco following the March budget increases in excise duties. After excluding these elements from the index, the annual rate of output price inflation dropped to 6.4 per cent last month from 6.6 per cent in February. The CSO also revised downwards the February rate of factory gate inflation from the provisional 6.7 per cent figure reported last month.

The Treasury described this development as "mildly encouraging". According to Mr Peter Spencer, chief UK economist at Shearson Lehman Brothers in London, yesterday's figures could be "a first little sign" that output price inflation is easing.

Such a change of trend been expected for some months because recent industrial trends surveys from the Confederation of British Industry have consistently suggested that fewer UK manufacturers are planning price increases because of the recession.

Mr Christopher Johnson, group economic adviser of Lloyds Bank, suggested yesterday that Britain's comparatively high level of producer price inflation could be recession linked. It reflected high unit labour costs caused by earnings rising quite sharply at a time of falling production. "Some companies are putting up prices to remain solvent," he said.

Other government figures released yesterday showed that companies continued to benefit from depressed prices for fuel and raw materials last month. The input price index rose by 0.2 per cent between February and March as higher prices for metals and home produced food manufacturing materials were nearly offset by a seasonal fall in electricity costs. Input prices last month were 2.5 per cent lower than in March last year compared with an annual drop of 2.3 per cent in February.

On a seasonally adjusted basis, however, input prices increased by 0.6 per cent last month against a fall of 0.7 in February.

## BRITAIN IN BRIEF



## PowerGen turnover up by 60%

PowerGen, the recently privatised generator, has increased its electricity sales turnover by 60 per cent, after winning new business worth £200m from industrial and commercial customers including British Rail, Tesco, Kellogg, Cadbury-Schweppes, and British Gas.

PowerGen's sales rose from £300m last July to £500m this month, as the second round of annual negotiations between electricity suppliers and their large customers drew to a close.

Meanwhile, PowerGen has clear plans to reduce its dependence on British Coal by 1994. The company, which stresses that its drive to cut consumption of UK coal is the result of stringent new EC legislation on sulphur dioxide emissions, expects to be importing around 10m tonnes of low sulphur coal by 1994. The coal which will probably be imported from Colombia, the Eastern US, Australia and China.

## Isle of Man presents budget

The Isle of Man has presented its 1991 budget, this year aimed at spreading benefits of the island's thriving economy among the less well-off of its residents and to aid more businesses.

Personal income tax allowances have been increased and the level of corporate income tax retained at 20 per cent.

Mr Donald Gelling, Treasury Minister on the island off England's west coast, said his intention was "to assist business, whilst seeking to ensure adequate funding for public services."

## London denies reports of Stealth purchase



Britain's Ministry of Defence (MoD) has denied reports that it is considering buying the Stealth US fighter (above) which was invisible to the Iraqis in the Gulf war. Jane's Defence Weekly, the specialist magazine, claimed the MoD has talked to the US about purchasing the Lockheed F-117, which evades detection on enemy radar and was used to deliver laser-guided, precision munitions. The MoD said there was no opening for a British purchase of the fighter, costing around \$25m each, in the current financial climate.

## Review pledged on ITV claims

The Home Office and the Treasury have agreed to look into claims by Independent Television (ITV) that it is paying too much in a special levy on its revenue and profits at a time of severe recession in the advertising industry.

## Pipeline talks at crucial stage

Negotiations to bring natural gas to Northern Ireland in a joint deal with the Republic of Ireland are at an advanced stage.

Officials from the Department of Economic Development, which is responsible for industrial policy in Ulster, are discussing provision of a gas pipeline for the province with interested parties, including Department of Energy officials in Dublin and British Gas.

## Lloyds plans Amex venture

Lloyds Bank is to withdraw its corporate charge card and instead market that of American Express.

Lloyds, said the move was part of its strategy of developing its own products only where it could establish a strong market position.

## Bomb explodes at Shorts

Mr Peter Robinson, the East Belfast MP, demanded tighter staff vetting at the Shorts aircraft factory procedures after another IRA bomb attack. The fire which followed an explosion damaged an office block but nobody was hurt. It was the sixth time the company's property was attacked in two years.

The company has spent tens of thousands of pounds on security measures to try to keep the bombers out. Staff also have to go through a series of identification spot checks.

But police chiefs fear that republican sympathisers working at the complex are helping the terrorists.

## BR problems highlighted

The extent of British Rail's deepening financial difficulties was highlighted as the Government announced that BR had ended its financial year with a budget shortfall of £316m.

The Department of Transport said a downturn in BR's profits from property sales, the effects of the recession on passenger and freight revenues, and extra spending on safety were to blame.

Each year, the Government sets an external financing

limit for BR - the amount it receives in Government grants and loans to cover the difference between its income and expenditure.

## City workers go on strike

Liverpool City Council employees have begun a three-day official all-out strike in protest against 1,000 planned redundancies among the city's 23,000 employees.

About 90 per cent of union members supported the action, according to unions. All revenue collection ground to a halt in the north west city, rubbish remained uncollected and social services offices were shut.

## NatWest to offer 7.5%

National Westminster Bank told its 50,000 UK staff that it is implementing a package which will give pay rises of 7.5 per cent and allow the bank to require more flexible starting times from employees.

The package is being adopted in spite of strong opposition from the Banking, Insurance and Finance Union, which is organising a strike ballot in pursuit of an improved offer.

National Westminster said it had decided on implementation after members of the NatWest Staff Association had voted in favour of acceptance.

## Oil workers threaten to form new union

By John Gapper

LEADERS of unofficial industrial action in the North Sea today threatened to establish a breakaway union, unless official unions created a new joint offshore body. The move came as the unions tried to negotiate a new pay deal for construction workers.

The conflict over union recognition came to a head with a call by leaders of the Offshore Industry Liaison Committee (OILC) for unions to alter the way they represent offshore workers. They said moves towards a new union would be "inescapable" if the unions refused.

The dispute was provoked by

negotiations between construction unions and the Offshore Contractors' Council (OCC) on a new recognition agreement covering "hook-up" work on construction of rigs, but not the "post hook-up" phase of maintenance of rigs.

The talks came after unions failed to persuade enough offshore workers to register for a ballot on industrial action to force a single continental shelf union agreement covering all 20,000 workers in various offshore occupations.

Mr Ronnie McDonald, chairman of the OILC, said that, unless the unions established a joint offshore section with a

certificate of independence as a separate union and freedom to decide its own policies, moves towards a breakaway union were likely.

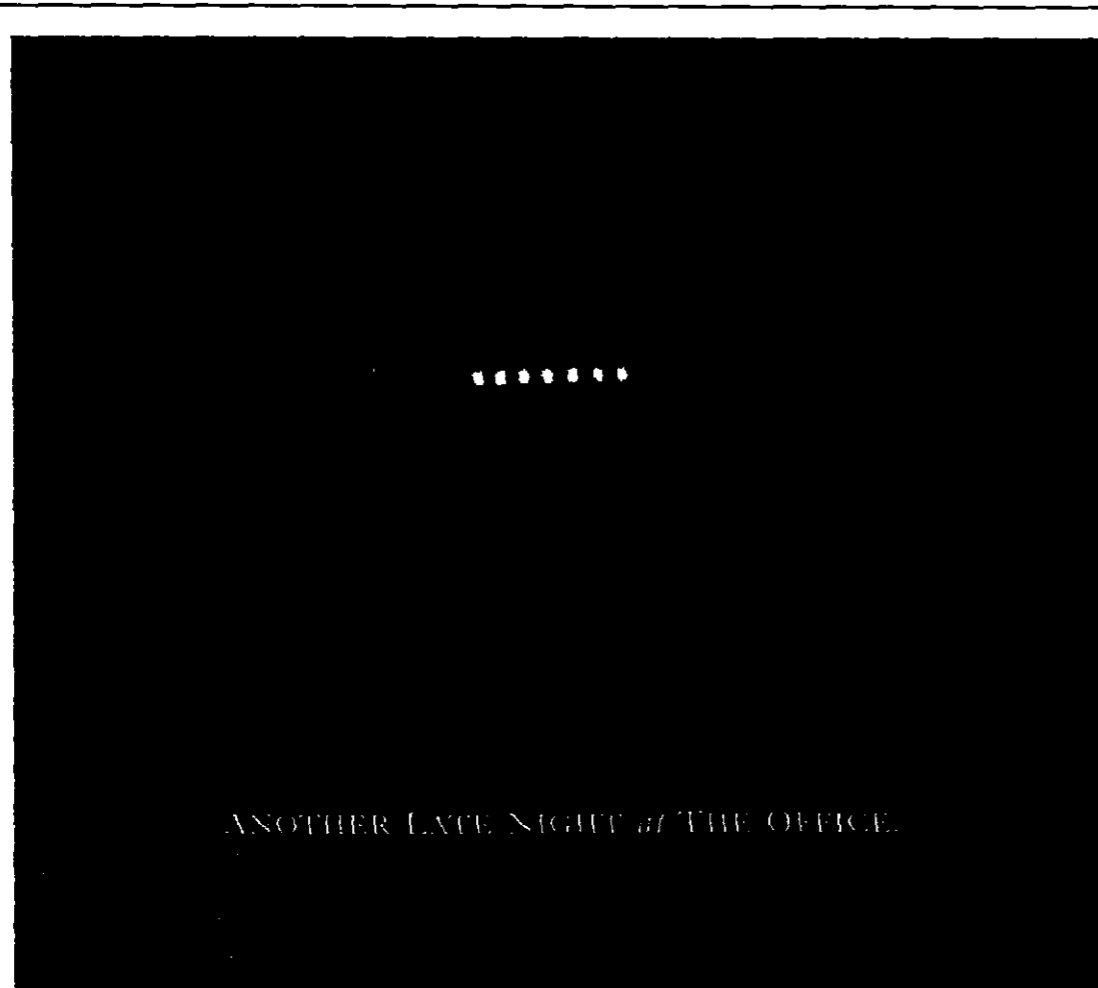
He said that, if unions refused to do so, "they will have declared unilaterally the North Sea a no-go area for them." Offshore workers would then be likely to "seek their own solutions" to the industrial relations process.

Mr McDonald was speaking at the launch of an OILC document on industrial relations in the North Sea, which said the Trades Union Congress, representing most of Britain's unions, should support a new

joint section within the six offshore unions with a certificate of independence.

Mr Jimmy Aislie, executive councillor of the AEU Engineering union said the document was "whining" and would not help solve the problems of offshore workers. Mr Aislie was speaking before entering talks with employers.

The unions are keen to re-establish a hook-up agreement because £200m of construction work is due over the next four years, including the reconstruction of the Piper Alpha oil platform. The last hook-up deal was abandoned by unions in 1988.



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## FT LAW REPORTS

**'Defectively designed' implies negligence**

**HITCHINS (HATFIELD) LTD v THE PRUDENTIAL ASSURANCE CO LTD**  
Court of Appeal (Lord Justice Parker, Lord Justice Butler Sloss and Lord Justice Mann); March 27 1991

**INSURERS WHO cover building contractors for loss arising out of "defect in design" subject to a proviso excluding the redesigning costs of "defectively designed" property cannot raise a defence of defective design to a claim for redesigning costs without proving negligence or the contractors' personal failure, in that "defectively designed" is not merely descriptive of the inanimate property, but indicates personal activity on the designer's part.**

The Court of Appeal so held when allowing an appeal by the plaintiff insured, Hitchins (Hatfield) Ltd, from Mr Justice Evans' decision on a preliminary issue on its claim against the defendant insurer, the Prudential Assurance Co Ltd.

LORD JUSTICE PARKER said that Hitchins were building contractors. During September 1984 they were working on the development of a residential housing site at Fisham Valley, St Leonards on Sea.

The development was on a nine-degree slope. To build the houses Hitchins terraced the site to provide four levels. That involved increasing the slope between the terraces to about 22 degrees.

After some of the houses had been built there was a series of landslips due to the presence of discrete shear surfaces within the clay.

The houses were not damaged but the slopes between the terraces had to be reinstated.

Hitchins were insured by the Prudential under a Contractors' Combined Policy covering February 1 1984 to June 30 1985.

By section 1 of the policy they were covered for all risks to the works and the property.

By clause 3 of an endorsement to section 1, the insurance covered loss arising out of "any fault, defect, error or omission in design" subject to provisos: "(i) the property insured... shall not be deemed damaged solely by virtue of any such fault, defect, error or omission... (iv) no amount shall be admitted in respect of any increased costs due to redesigning the property insured or any part thereof which is defectively designed".

Hitchins claimed £880,306 under the policy for the cost of reinstating the works, including the costs of shoring up and propping by piling.

By writ dated March 2 1988 it was alleged that although the Prudential had paid £304,877 under the policy it had wrongfully refused to pay the remainder.

In paragraph 5 of its points of defence the Prudential alleged that the land slip occurred due to design defects in the works.

It said that the slope as constructed was unstable, and that proper design required the installation of piling and drainage to stabilise the slope.

In paragraph 7 the Prudential alleged that installation of piling and drainage was necessary to rectify the original defective design and it was not liable for such costs and expenses.

A preliminary issue was tried as to whether on the true construction of the policy (a) the facts alleged in paragraphs 5 and 7 were capable of constituting a good defence in law to Hitchins' claim; and (b) if so, whether the Prudential must further prove that the design of the works was negligent or arrived at with some element of personal failure or non-compliance by Hitchins.

Mr Justice Evans answered (a) yes and (b) no. Hitchins now appealed.

The question was whether it was necessary, in order to be able to justify refusal to admit any increased costs due to redesigning, to prove that the original defect in design was negligent or arrived at with some element of personal failure or non-compliance by Hitchins.

Clause 3 of section 1 specifically included loss arising out of any fault, defect, error or omission in design subject to the provisos.

It was common ground that, subject to the provisos, that wording was apt to cover loss due to faults, defect, errors or omissions, whether or not they were negligent or involved an element of personal blame for non-compliance.

Proviso (i) contained a form of definition by limiting the meaning of damage so as not to include loss due solely to the existence of "any such fault, defect" etc.

There was a clear reference back to the general words,

"loss... arising out of any fault, defect... in design", and there was thus no question of distinguishing between negligent and non-negligent errors or omissions.

Proviso (iv) was markedly different in content from proviso (i). Unlike proviso (i) it did not on its face refer back to the general words, it was clearly an exception rather than a definition; it dealt with increased costs due to redesigning; it did not refer to fault, error or omission; it did not use "defect in design", but "defectively designed".

Hitchins contended that the change in wording was significant, that "defect in design" covered any defect which in fact existed in the design whether or not the defect was due to negligence, but that use of the adverb "defectively" to qualify the verb "designed" connoted a measure of blame on the part of the designer.

Hitchins relied on Mr Justice Windeyer's judgment in the High Court of Australia in *Queensland Government Railways and Electric Power Transmission v Manufacturers Mutual Insurance* (1969) 1 Lloyd's Rep 215.

In that case the plaintiffs claimed under a construction all risks policy which provided that the insurance should not include loss or damage arising from "faulty design". The difference between "faulty design" and "defectively designed" was considered at length in Windeyer J's judgment.

He said the court was concerned with "faulty" not as importing blame, but as descriptive of an inanimate thing. He said in that sense "fault" and "faulty" did not connote a falling short in conduct, but designated an objective quality of a thing. "It is faulty because it has defects, flaws or deficiencies." He said faulty workmanship was a reference to the manner in which something was done, to fault on the part of a workman, but a faulty design on the other hand, was a reference to a thing.

Proviso (iv) was directed to costs due to redesigning what had been defectively designed.

"Redesigning" appeared to point to personal activity or conduct, and there was no reason to hold that the following words, "defectively designed", should be construed differently.

Both "designing" and "designed" were part of a verb referring to the designer's activity rather than the inanimate product of his work.

In his judgment Mr Justice Evans said that the question was whether the draftsman had used the words "which is defectively designed" as a form of reference back to the words of cover which appeared to be "defect in design". Or had he intended not merely to refer back to the cover but to introduce the further qualification that the proviso was only to apply when there had been negligence in the design with the resulting defect in design.

The judge had no doubt that "defectively designed" was intended as a reference back and that the intention was that the insurers should not be liable for increased costs due to "defect in design", which was covered by the words "which is defectively designed".

He held he was not compelled by the Australian judgments to draw the distinction to which they pointed.

There was no basis for concluding that the words were intended as a reference back to the opening words.

The differences between the wording of proviso (iv) on the one hand and proviso (i) and the general words on the other, were too great to justify any such conclusion.

No tenable explanation of such differences was advanced. Nor was it demonstrated that unless so construed the commercial purpose of the insurance would be defeated.

There was no reason in the light of the changed wording of proviso (iv), which referred to the activity of design, to conclude that the intention was to exclude any increased costs due to redesigning even when the original fault in design was not negligent. There was at least some reason to conclude that the insurers' intention was to exclude such costs where the original fault in design was negligent.

On the basis of the wording used, the judge erred. The appeal should be allowed.

Lord Justice Butler Sloss and Lord Justice Mann agreed.

For Hitchins: Giles Wingate-Saul QC and Digby Jess (Peter Rickson & Partners).  
For the insurers: Richard Adams QC and Jonathan Hirst QC (Clyde & Co).

**Rachel Davies**  
Barrister

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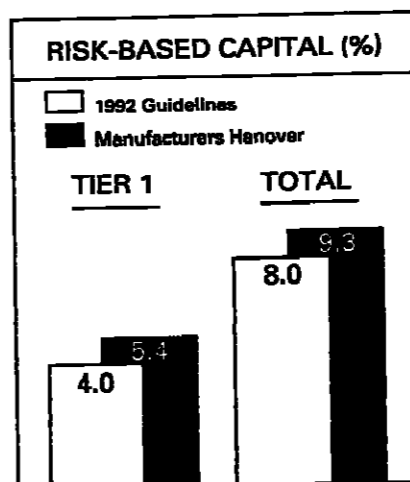
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while exceeding the new standards may be noteworthy, our aim is to continue building upon the sturdy financial foundation we already have in place.



## MANAGEMENT

Property has been hard hit in today's straitened times. Vanessa Houlder and Robert Rice report on how different organisations coped

## How Wiggins built a future for itself

As the property market continues to spiral into one of the steepest downturns ever seen in the UK, many debt-laden property companies are desperately seeking financial reconstruction.

One of the first companies to do this in the current downturn was Wiggins, a Docklands-based housebuilder and developer. It has survived, but the protracted, complex negotiations that led to its refinancing illustrate the predicament of developers and their banks.

Wiggins ran into trouble in late 1989, when the sale of a hotel it was building in the Isle of Dogs enterprise zone fell through. That left it over-extended and just a few months off a cash-flow crisis.

Before starting negotiations with its bank, Wiggins wanted to formulate proposals of its own. It called in a firm of lawyers, D J Freeman, which helped it grapple with the complexities of its financial and legal situation.

"It was like going through a maze that had only one route through it," according to Stephen Haykian, the chairman. The inter-related nature of Wiggins' finances meant that the failure of the hotel project was jeopardising the whole group.

"Different banks held different forms of security, sometimes over the same assets and held different guarantees from other members of the group," says Jonathan Lewis, head of corporate restructuring at D J Freeman. "If any one demand were made and enforced, the whole group would collapse."

The aim of the restructuring was to protect the rest of the group from failure of the Docklands projects. It did this by "ringfencing" each development, putting it into a separate single purpose company to stand or fall by its own merits.

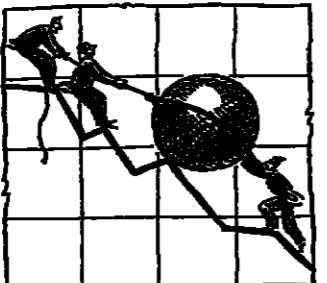
To do this, it had to renegotiate all the parent company's guarantees, a move which had to overcome the banks' instinctive desire for as much security as possible.

Coopers & Lybrand, the accountants, were asked to

scrutinise the proposals. "We provided them with our plans and said be as tough as you want on our projections and anticipations," says Haykian.

Meanwhile, the directors tried to sell as much as they could. Geoffrey Lansbury, the managing director, tried to sell the hotel while Paul Lewellen, the finance director, worked on the business units. Haykian's task was to sell the group's French property - and to fetch takeaways when the team was working late at night. "It was very fraught," he says. "Everybody forgot about their home life."

Construction work on a busi-



MANAGING IN RECESSION

ness unit complex in Docklands stopped but the rest of the group traded as normal. The group sold its projects in France, Spain and Florida, raising about £7m. The decision to sell sites, on which great hopes had been pinned, was not easy. "It was heart-breaking," says Haykian. "But had we been greedy or emotional about it we probably would not have survived."

Wiggins met its banks in early March. Thirty people - the bankers, the syndicate's lawyers, Wiggins' lawyers and Coopers & Lybrand - sat around a symmetrically arranged square table. "It was very formal," recalls Lewis.

Wiggins presented its proposals and answered questions. Its directors and advisers then withdrew to an antechamber. Eventually they were invited to return, to be told that the syndicate needed more time for

deliberation.

That was the start of several months of negotiations with the banks and contractors. The negotiations on the hotel were simplified by the fact that there was only one bank involved, Midland. On the business unit complex, however, it had to deal with a syndicate.

Even a small syndicate presents problems in a restructuring. Each bank is likely to take a different attitude, given the differences in their lending books and financial muscle. The involvement of overseas banks can be complicated because of longer internal reporting lines, response times and less flexible insolvency practices.

"The problems arose in trying to persuade banks with different cultures to think along the same lines," says Chris Day, a manager at Samuel Montagu which, as the agent, was responsible for co-ordinating the syndicate, reconciling difficulties and maintaining the timetable.

It was a long, slow process. At every twist and turn, the banks had to go back to their credit committees which would demand modifications; these would prove controversial and lead to more negotiations. "More than once the situation looked hopeless," says Lewis.

One low point was when South Quay Plaza, a large office development three doors down from Wiggins' office project, went into receivership. Another was when one of the overseas banks dropped out, disillusioned with the UK property market. Even though the bank took a co-operative stance and allowed its security to be diluted, its decision was a blow. "One of the unwritten rules of syndicated banking is that we stand or together we fall," says Ian Steer, a director at Samuel Montagu.

Wiggins and its lawyers were picking their way through a legal minefield. If there had been "no reasonable prospect" of avoiding collapse, the board would have been at risk of wrongful trading.

The directors would also be in breach of their duties if they



The Eurotrade Centre - one of Wiggins' Docklands projects to be ringfenced - is now under construction

preferred one creditor over another for anything but sound business reasons. "Just because someone is shouting at you for payment doesn't mean you pay them before someone who is more understanding of the situation," says Lewellen.

Transferring assets within the group was also hazardous, because every subsidiary is deemed to have a separate legal personality. Each deal had to be done on an arm's length basis and the new subsidiaries had to consider the obligations they were undertaking and their ability to honour them.

If a court considered that the directors had slipped up in any way, the sanctions could be serious - "a very real inducement to directors to be safe rather than brave," according to Lewis. The directors could be held personally liable and their conduct would automatically be the subject of a report by the liquidator to the Department of Trade and Industry. If there was any misconduct, the board members could be disqualified from acting as a director for as long as 15 years.

In addition to these risks, Wiggins had to face the possibility that negotiations would break down or an unsecured creditor might present a winding-up petition. As a contingency plan, Wiggins prepared to apply for an administration order.

Over four months, they

thrashed out a solution. "The banks accepted it was the best way forward," says Lewellen. "The exit route showed that they had a good chance of coming out with their loans intact over less than two years."

The syndicate put in an extra £36m, which more than doubled its exposure and Wiggins, the management contractor, agreed to defer £5m owing to it. The interest varied with the eventual profit on the development. In addition, Wiggins and Robert McAlpine, a 20 per cent shareholder, gave guarantees. Haykian also stepped into the breach when there was a shortfall and personally guaranteed £300,000.

The hotel was refinanced on August 15 and sold in early November to Britannia Hotels, a Manchester-based group. Wiggins was unable to complete the construction as it had hoped, and the sale price was just £17.75m, resulting in a loss of £8m.

In September, the Docklands business unit complex, called the Eurotrade Centre, resumed construction. In November, Wiggins' auditors signed an unqualified report. The suspension of the shares, which took place on March 16, was lifted on December 11. "Your group, although bruised, lives to fight another day," Haykian told Wiggins' shareholders in its annual report.

VH

## The dangers of making lawyers redundant

D J Freeman & Co, the firm of City solicitors which advised Wiggins, has itself fallen victim to the property market recession.

For the second time since September, the firm, which is one of the top ten commercial property specialists, announced earlier this month that the current economic climate had forced it to make staff cuts. This time, two salaried partners and up to six equity partners, together with six assistant solicitors will be leaving.

Although D J Freeman appears to have been particularly badly affected by the property slump, other commercial law firms have not escaped either. Three other large City law firms, Richards Butler, McKenna & Co, and Titmus Sainer & Webb have all laid off property lawyers in the past six months. Other firms equally affected have taken the decision to carry excess capacity.

David Solomon, D J Freeman's chief executive, hopes the latest redundancies will be the last. There are signs, he says, that the property downturn may be plateauing with a number of foreign investors, particularly from Sweden, Japan and the US, beginning to show interest in the UK market again.

But on the surface D J Freeman appears to be guilty of adopting a rigid approach to its current problems. Income from property work is down so cutting costs by making property lawyers redundant is the answer; cut costs, profits up.

In the legal profession, however, such a short-term approach - particularly reducing the numbers of assistant solicitors - can be dangerous. The work of redundant senior assistants will have to be taken over by someone else, probably a partner, but may not support a partner's hourly rate.

A "succession gap" may open up as a consequence of removing people who would have formed the next generation of partners and

when things pick up again good assistants may be hard to find. The firm may be tempted to promote people into partnership too early or may spend a period "under-partnered". All these factors can hold back growth and development.

A better approach is to weed out those solicitors who have already been promoted beyond their level of capability and those who, though competent at their present level, show no ability to rise to the next irrespective of the department they work in. An attempt should also be made to persuade good lawyers to be flexible about where they work. In other words, just because property work is down does not necessarily mean that property lawyers should be made redundant.

Solomon denies that D J Freeman has been guilty of such short-term thinking. Some hard decisions had to be taken and the firm has lost some good people, he says. But every attempt was made to persuade good lawyers to move sideways. Three property lawyers have moved into the litigation department. Others were offered a move to other departments but wanted to stay in property work and some were "not suitable" for transfer, he says.

McKenna and Richards Butler both attempted to find other work for their under-employed property lawyers. McKenna set out to lose 13 jobs in its property department. In the end only one para-legal was re-allocated elsewhere in the firm. Four of the 13 were interviewed for jobs in other departments and an offer was made to one assistant solicitor who in the end took a job as a property lawyer with another firm.

According to Stephen Whybrow, the firm's managing partner, there will be no more lay-offs at McKenna. "We took the view last summer that if the market continued to dip we were going to have too many people but if we were going to make

people redundant we would do the whole thing in one go." That strategy appears to have worked; the property department is now on budget.

Not all commercial property lawyers share the same pessimistic view of the market. Earlier this month the property partners of City solicitors Birkbeck Montagu announced that they were splitting away from the firm to form their own boutique commercial property practice.

This looks like a brave move, but the new firm Stephen, Lake, Gilbert & Pelling - is not a start-up in the true sense of the word. It has inherited all Birkbeck Montagu's property clients and although its property work has declined by about 15 per cent over the past 18 months this nevertheless gives the new practice a solid base on which to build.

The decision to split the firm was taken last September. It arose from a difference of opinion on a strategy for growth. The property lawyers felt the firm should build a corporate practice on the back of a strong commercial property practice. The corporate/commercial lawyers felt the best way to become a corporate-led City law firm was to become bigger.

"We didn't see how Birkbeck Montagu could become bigger short of merger," says Tim Lake. (This is the 1990s and law firms mergers are "out".)

"Our philosophy was that we should concentrate on the areas where the firm had expertise, which was in commercial property and where the firm's big clients were, and build on that," he adds.

Can a small specialist commercial property firm survive in the current climate? Kaz Stephen, the senior partner, says smaller firms have more room to manoeuvre than the larger ones during a recession and have much greater scope for reducing overheads. Time will tell.

RR

## To re-charge your batteries, plug into the Balearic Islands.

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There are over 2,000 kilometres of beaches and the variety is amazing. The secluded coves of the Costa Brava contrast with long stretches of shimmering gold sand in the Costa Blanca. Different again are the sophisticated beaches of the Costa del Sol at Marbella, Nerja, Fuengirola, Torremolinos and Estepona. While to the north of Spain the beaches of Costa Verde with their surrounding trees and high cliffs, are a delight for nature lovers. But whichever you choose, the Spanish sunshine will do you a power of good. Consult with your travel agency.



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July 10 1991

ARTS

# A woman of veritable importance

**F**ew (if any other) women in television have had a career as impressive as Verity Lambert's. Brought on in the early 1960s by that great Canadian promoter of talent, Sydney Newman, when he was head of BBC Television's drama group, she had a lot to do with the creation of *Dr Who* and *Adam Adamant*. With London Weekend in the 70s she produced *Budget*, and then as controller of drama at Thames in the 70s and 80s was responsible for *Rock Follies*, *Rumpole Of The Bailey*, *Edward and Mrs Simpson*, *The Naked Civil Servant* and several series of *Minder*.

Her time with EMI films was less impressive but since she set up her own company Cinema Verity (no ho) in 1986 the familiar knack has been evident again. The comedy-detective series *Boys From The Bush* set in Australia is hers, as was *Coastguard*, also a combination of crime and comedy. Now BBC2 is showing her *Steepers*, a slick and amusing spy spoof with Nigel Havers and Warren Clarke as a couple of KGB agents, planted in British society in 1966, and now flourishing as stalwart native plants (Episode 3 tonight).

Miss Lambert is clearly a shrewd businesswoman as well as an astute producer. And yet... and yet... *Dr Who* was a radical departure in its day, as was *Budget* in some respects, and it took courage to bring *The Naked Civil Servant* to the screen with its explicit account of Quentin Crisp's exhibitionist homosexuality; everybody including the BBC had rejected it before Lambert accepted it. Would it be too much to ask now that she became a brave independent, taking a few similar risks to break some new ground? If she won't, who will?

The fashionable reaction to the interviewing of a politician on television does not change: the sneer is still de rigueur. After Sue Lawley's interview with John Major at 10 Downing Street there was much yuck to see who could pour most cold water, on Lawley: she had remarked on the absence of Iain Macleod from the Downing Street portraits yet, in the immortal words of Moleworth, my fule kno Macleod wasn't PM (she never said he was); she was chatty (wasn't that the idea?); she showed off her legs (they



Nigel Havers and Warren Clarke in "Steepers"

are very good legs); she looked insultingly relaxed (would it have been better to look tense?).

As for Mr "Ordinary" Major, his ear tugging, mouth covering and leg crossing startled of deceit, and who could possibly believe a man who claimed not to remember how many O-levels he had passed? Anyone who, like me, read the reactions next day before watching a tape of the interview would have been ready for some impertinent sextop rabbiting away to an evasive phoney. Nothing could have been further from the truth. Lawley is so good at this sort of interview now that she has, it seems, fooled many onlookers into imagining they are easy. To be able to relax enough to reveal the true temperament of your interviewee and to listen closely enough to switch questions in mid stream, takes not just confidence but practice. Lawley has lots of both.

As for Major he did, indeed, come across as extraordinarily ordinary for a prime minister, which is probably what irritates his detractors (why him, why not me?) but the interview was remarkably revealing. It was certainly more interesting than this week's *Paranorm* which was so determined to dish the dirt that it rambled on about some supposed misdeemeanour over address registration when Major stood as a local councillor years ago, a petty little point the inclusion of which reflected worse on the programme than on Major. I write as a wholly biased onlooker, of course, being another of those who cannot remember whether he passed six, seven, or eight O-levels.

Last week's column said that *The Darling Buds Of May* with its old fashioned qualities of optimism and good humour and its lack of murders, lawyers and policemen, would probably prove immensely popular. It would be no surprise if the series attracted an audience of 10.5m and went up from there. In fact Episode 1 blasted past every other programme on the box to take No 1 slot in AG's BARB ratings with an audience of 16.88m - above *Coronation Street*, above *EastEnders*, above *Neighbours*. Interesting what sunshine, a happy attitude, and David Jason in the lead role can do.

Stand by, then, for a couple

## Carmen Jones

**OLD VIC**

To go as an opera-lover to *Carmen Jones* might seem to be tempting fate even more dangerously than *Carmen* does herself. There is a hell of a lot of misplaced, that those who appreciate opera in its traditional form will be outraged by any adaptation, even one as successful as Oscar Hammerstein II's version of this favourite Bizet masterpiece.

The problem, though, generally lies with the adaptations. In recent years we have seen well-meaning attempts to cross the cultural barrier with *The Marriage of Figaro* and *Don Giovanni* (the former made it to the West End, briefly) but they remained apologies for the real thing, less well sung than an opera, not so much fun as a musical. *Carmen Jones* is not like them. It throws its inhibitions aside in the wings and takes the stage as if it owns it.

This London production opened last week and on Monday night introduced its star cast, the one with a "show-biz"

## Top Girls

**ROYAL COURT**

On the one hand... on the other... This is a superlative revival of Caryl Churchill's important 1982 play, which has been revived in 1989; and one of its several first-rate performances is haunting. Yet I can't accept it as the great play it has been, and is still being called. It should be seen, applauded and argued about.

Both as theatre and as politics, *Top Girls* is exciting and irritating. The dialectic of its final scene, between the Thatcherite Marlene and her socialist sister Joyce rings true as you listen. The terms in which the sisters argue about Thatcherite politics have not dated. Here are the two nations of the 1980s: those who've got what it takes and those who haven't. And, of course, Marlene now resembles a later prime minister when she says "I don't believe in class."

But the more evidently *Top Girls* expresses a Point of View, the worse a theatre it is. How glibly, in that final scene, Churchill weights the

chat shows, continues to present *The Sky At Night* in his utterly informal manner, sans Autocue, but without ever becoming an insufferable "personality".

Unhappily the same cannot be said of Keith Floyd. In his early cookery series he used his natural wit to compensate for a lack of television experience by developing a teasing relationship with the camera-man ("Down here Clive, let the viewers see the chopping board") and that was delightful while unforced and occasional. Now, in his new series about Australian food on BBC2, *Flayed On*, he is showing saddening signs of turning into one of those boring telly eccentrics like Luchada Lambton or Magnus Pyke, condemned to repeat his own madman tricks ad infinitum. The scenery is good, his cooking continues to be admirably unfussy, and the programmes are still entertaining, but the charming spontaneity of the early programmes is in danger of being replaced by a studied mannerism.

The cumulative effect of "Banned", Channel 4's fascinating season of persecuted programmes and films, is baffling and rage. By what right did anybody ever presume to prevent us seeing *Scum*, a drama directed by Alan Clarke from a script by Roy Minton, which gives a vivid impression of the Darwinian nature of survival in one of Her Majesty's Boreals? "no doubt there are exaggerations, approximations, and even misrepresentations here, as in *Moment's Pictures*, but in both cases the artifice is the lie which endeavours to convey a greater truth."

At least with *Juvenile Liaison II* (a revised and expanded version by Nick Broomfield and Joan Churchill of their never-seen 1976 programme about police treatment of child offenders in Blackburn) you could see why the police had worked so hard to suppress the original. It clearly was a one-sided account. But perhaps just occasionally that is what an account ought to be if one side is crying out for public exposure because of its beastliness or wrong-headedness. From the public point of view this dreadful situation should have been made general knowledge 15 years ago.

Christopher Dunkley

## Opening concerts

### SYMPHONY HALL, BIRMINGHAM

Simon Rattle and the City of Birmingham Symphony Orchestra took full possession of Symphony Hall on Monday. They played two one-work concerts - the complete Stravinsky *Firebird* at 7.30, and (with the CSBO Chorus) the complete Ravel *Daphnis and Chloe* at 9.15 - for two different audiences; this was a good, fair way of attempting to satisfy overwhelming demand.

Just now, Birmingham is in a state of high excitement about its new possession. In purely musical terms, I must insist that any flush of pride the city may be allowing itself is more than justified. Whatever one may feel about the look of the building - and I completely share Colin Amery's sense of disappointment that any flush of pride the city may be allowing itself is more than justified. Whatever one may feel about the look of the building - and I completely share Colin Amery's sense of disappointment that any flush of pride the city may be allowing itself is more than justified. Whatever one may feel about the look of the building - and I completely share Colin Amery's sense of disappointment that any flush of pride the city may be allowing itself is more than justified.

Whereas in the Festival Hall even the most finely projected soft playing tends to evaporate, and in the Barbican even the most carefully focused loud can so easily become clogged, the dynamic range of both these performances was a sustained marvel of corporate artistry given sufficient room and time to express itself. Rattle's *Daphnis* was here far more spacious, more leisurely in its unfolding, than it has been elsewhere; clearly, Symphony Hall - which has been intentionally influenced in its acoustical planning by the sound-qualities of those auditoria (in Amsterdam and Berlin, inter alia) in which the CSBO has most enjoyed performing - is a place where the grandest musical constructions can be built up without need for hustling the pace.

The built-in variables of the auditorium shell (the roof platform capable of being lowered to suit smaller forces, the extra resonance chambers that can be opened for the largest combinations) have still to be tested before the public. Now one is keen to know how a concerto soloist will sound, a single singer, the organ, a group of "period" strings and winds. Many visits to Symphony Hall will be required to discover if there is indeed a limit to its seemingly limitless possibilities.

But what is already clear, from these opening-night experiences, is that the music of Birmingham has received a boost of unimaginable force; and that the partnership of Rattle and the CSBO, for long this country's most exciting, is at the start of its golden era.

Max Loppert

## Dresden Staatskapelle

### ROYAL FESTIVAL HALL

During his years with the London Philharmonic Bernard Haitink's Bruckner performances provided some of the most searching and exhilarating experiences concert life in the capital could offer. Now, with Haitink a rare guest on the South Bank, only Günter Wand and Klaus Tennstedt's occasional excursions exhibit anything like the same Brucknerian command. Meanwhile Haitink's new cycle of the symphonies with the Vienna Philharmonic has provided evidence of how his interpretations are still deepening, still maturing, and that was gloriously confirmed by his account of the Seventh with the Dresden Staatskapelle.

The Dresden orchestra is by any standards a priceless asset to a conductor of a late 19th-century symphony. The sound is so rounded and well integrated, with fathomless depths

of string tone and wind blending into a seamless chorus, that the music can acquire an effortless patina. The finest Bruckner performances seem to play themselves, with the minimum of intervention, and the Staatskapelle's instinctive command of phrase length and paragraph shape goes a long way towards such an ideal.

With a less eloquent band it's doubtful that Haitink could have successfully unfolded the first movement at such a leisurely pace, and made so much sense of its steadily changing perspectives, or built the Adagio into such a radiant, serene hymn, while still pointing up every detail and expressive nuance. Even the scherzo never lost the sense of imperious purpose, and while the finale has other, neglected strands of argument - there is a dark quality, a *Götterdämmerung*-like helplessness, that Haitink failed to contact. It brought the symphony home in utter certainty.

Yet the Staatskapelle has its own idiosyncracies: the vibrato-laden, watery trumpets are definitely not to British taste, nor would it be everyone's ideal of a modern Mozart orchestra. Yet Haitink began with the Haffner Symphony, giving it sprightly, alert rhythms and firing down the string tone without ever losing the bloom. Even if the wind remained body, and the textures over-succulent, there was no lethargy or soupy phrasing; if big symphony orchestras have to play the classical repertoire with scarcely a nod to the discoveries of period performance then this was certainly one viable approach.

Andrew Clements



Lesley Sharp as Dull Gret

## INTERNATIONAL ARTS GUIDE

### TODAY'S EVENTS

#### AMSTERDAM

Concertgebouw Grote Zaal 20.15 Riccardo Chailly conducts Royal Concertgebouw Orchestra in Haydn's Symphony No 44 and Mahler's Das Lied von der Erde, with Jari van Nes and Siegfried Jerusalem, also tomorrow and Fri (8718 345)

Concertgebouw Kleine Zaal 20.15 Heinrich Schiff plays music for cello by Brahms and Hindemith. Tomorrow and Sat Orlando Quartet (8718 345)

Muziektheater 20.00 Hartmut Haenchen conducts Johannes Schaeffer's production of Die Fledermaus, also Sat. Tomorrow, Fri and Sun: Nederlands Dans Theater (8255 455)

#### BARCELONA

Gran Teatre del Liceu 21.00 Donizetti's Il campanello and Leoncavallo's I Pagliacci, with Giuseppe Giacomini as Canio. Also Fri and Sun (412 1488)

#### BERLIN

Deutsche Oper 18.00 Ring um den Ring, four hours of Wagner's music choreographed by Maurice Bejart.

#### LAUSANNE (292511)

Staatsoper unter den Linden 19.30 Fabio Luisi conducts Tosca. Tomorrow: Die lustigen Weiber von Windsor. Sat: Meistersinger. Sun: Traviata (824 782)

Komische Oper 19.00 Rolf Reuter conducts Harry Kupfer's production of Don Giovanni with Roger Smets in title role. Tomorrow: Orfeo. Fri: Così fan tutte. Sat: Der Freischütz (2292 555)

#### LONDON

Schauspielhaus 20.00 Jiri Kout conducts Orchestra of the Deutsche Oper in music by Hindemith and Dvorak, with Philippe Entremont soloist in Mozart's Piano Concerto No 20 (3410 249). Tomorrow: Poznan Boys Choir (2272 122)

Philharmonie Kammermusiksaal 20.00 Ensemble Wien-Berlin plays music by Dancz, Mozart, Berio and Hindemith. Fri: recital by Frank Peter Zimmermann. Sat and Sun: Murray Perahia plays Mozart 2614 383)

#### FRANKFURT

Alte Oper 20.00 Recital by Claudio Arrau. Tomorrow: Cellidache conducts the Munich Philharmonic. Sat: Barbara Hendricks recital (1340 400)

Opernhaus 19.30 Marcello Viotti conducts Wolfgang Weber's new production of Die Zauberflöte. Fri and Sun: William Cochran sings title role in Les contes d'Hoffmann (226061)

#### GENEVA

Victoria Hall 20.30 Armin Jordan conducts Schumann's Scenes from Faust, with Edith Wiens, Lube Orghonascova, Wolfgang Holzmaier, Gilles Casadesu, Wollie and other soloists. Repeated tomorrow in

#### THE HAGUE

Dr Anton Philipszaal 20.15 Ton Koopman conducts Amsterdam Baroque Orchestra in Mozart symphonies. Tomorrow, Sat and Sun: Aldo Ceccato conducts Residentie Orchestra (3609 810)

#### MUSIC

Coliseum 19.30 David Atherton conducts Tim Albery's new production of Peter Grimes, with Philip Langridge in title role and Janice Cairns as Ellen, also Sat. Tomorrow: Don Giovanni. Fri: Salome (839 3161)

Queen Elizabeth Hall 19.45 Gennadi Rozhdestvensky conducts London Sinfonietta in world premiere of Jacob's Ladder by Dmitri Smirnov, plus music by other contemporary Soviet composers. Tomorrow: Dohnanyi conducts LPO (Festival Hall), and Rodney Friend Trio plays piano trios by Shostakovich, Ravel and Tchaikovsky (928 8900)

Barbican Centre 19.45 Francesco d'Avallio conducts Philharmonia Orchestra in music by Brahms, also Martucci's Second Piano Concerto with Francesco Caramelli (838 8891)

#### THEATRE

This week's shows include Matador, new musical about the rise of El Nino to become Spain's greatest matador, starring Stephanie Powers (Queens), Bill Alexander's RSC production of Much Ado About Nothing (Barbican), a final chance to see Ian McKellen's award-winning performance in Richard III (National) and October's Children,

#### PARIS

Opéra Bastille 19.30 Philippe Auguin conducts Robert Carlsen's production of Manon Lescaut, with Diana Soviero in title role and Vassile Moldoveanu as Des Grieux. Runs till May 4, next performances Fri and Mon (4001 1616)

Opéra Comique 19.30 La Fee Urgée, musical entertainment with words by Charles Favart (1710-62) and music by Egidio Romualdo Duni (1708-75), featuring Les Arts Florissants. Runs until next Tues (4286 8883)

#### NEW YORK

MUSIC Tufts Hall 20.00 Guarneri String quartet with Andre-Michel Schub play music by Mozart, Beethoven and Fauré. Tomorrow: Olaf Baer sings Die schöne Müllerin. Sat: Kronos Quartet (874 2424)

Metropolitan Opera 20.00 Plácido Domingo conducts Tosca with Giovanna Casolla in title role, Neil Shifford as Cavaradossi and James Morris as Scarpia, also Sat. Tomorrow and Fri: last performances this season of I Puritani and Luisa Miller (362 6000)

#### THEATRE

This week's shows include Andrew Lloyd Webber's musical Cats, with a first-rate American cast directed by Trevor Nunn (Winter Garden), Six Degrees of Separation, John Guare's play about a mugging victim who seeks refuge at an elegant Manhattan dinner party (Vivian Beaumont), Grand Hotel: The Musical, a well-cast production directed and choreographed by Tommy Tune (Martin Beck) and Once on this island, musical set in the Caribbean about a peasant girl's passion for the son of a wealthy landowner (Booth).

Ticketron (248 0102) answers inquiries and sells tickets

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Salle Pleyel 20.30 Semyon Bychkov conducts Orchestre de Paris in music on the theme of Paris 1920, including Poulenc's Les Biches and Milhaud's Le Boeuf sur le toit. Repeated tomorrow (4286 8789)

Théâtre de la Ville 20.30 La La Hume Stepe, new ballet by Canadian choreographer Edouard Lock. Runs till Sat (4274 2277)

#### ROME

Teatro dell'Opera 20.30 Jan Latham-Koenig conducts Lyon production of Poulenc's Dialogues des Carmélites, also Fri and Sun. Tomorrow: Il trovatore (463641)

#### VIENNA

Staatsoper 19.30 Horst Stein conducts Ariadne auf Naxos with Trudeliess Schmidt as the Composer. Tomorrow: Cav and

#### PARIS

Pag. Fri: Rosenkavalier. Sat: new production of Schreker's Der ferne Klang (5744 4290)

Musikverein 19.30 Piano recital by Tzimon Barto. Tomorrow: piano recital by Grigori Sokolov. Fri: Ulf Schirmer conducts Austrian Radio Symphony Orchestra. Sun: piano recital by Stefan Viadar (505 8190)

Konzerthaus Grosser Saal 19.30 Georges Prêtre conducts Vienna Symphony Orchestra in Dvorak's Stabat Mater, with soloists Gabriela Benackova, Marijana Lipovsek, Boiko Zvetanov and Anton Scharinger, also tomorrow (7124 8860)

Konzerthaus Schubert-Saal 19.30 Hans Kann plays piano music by Schubert (7124 8860)

#### ZURICH

Opernhaus 19.30 Ballet programme with choreography by Uwe Scholz and Pierre Wyss, also Fri and Sun. Tomorrow: Ferdinand Leiner conducts Yevgeny Olegin. Saturday: Einführung (251 0908)

#### TONHALLE

20.15 Mario di Bonaventura conducts Tonhalle Orchestra in Berwald's Symphonie singulière, plus Brahms' First Piano Concerto with Gerhard Oppitz, also Fri. Sun: Haitink conducts Dresden Staatskapelle (201 1580)

Tomorrow in Spiegarten Altstetten: Edmond de Stouitz conducts Zurich Chamber Orchestra in music by Frank Martin, Bach and Mozart (252 1737)

Schauspielhaus This week's repertoire includes Dürrenmatt's The Meteor and Franz and Paul von Schonthan's farce The Rape of the Sabine Women (251 1111)

#### European Cable and Satellite Business TV

##### (all times CET)

##### MONDAY TO FRIDAY

Eurosport 0600-0630 International Business Report  
CNN 0600-0630 Moneyline  
0600-0630 Moneyline  
1230-1300 CNN Market Watch  
1330-1400 Business Day  
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories  
2300-2330 World Business Today  
0100-0130 Moneyline  
Superchannel 0700-0830 Financial Times Business Report  
A five minute business briefing broadcast three times between 0700 and 0800  
2130 & 2320 (Wed only) and 0830 (Thurs only) Financial Times Business Weekly

##### SATURDAY

CNN 0600-0630 Moneyline  
0600-0630 World Business Today - a joint FT/CNN production  
1540-1610 Moneyweek  
1900-1930 World Business This Week  
2110-2140 Your Money  
SUNDAY  
Superchannel 1800-1830 FT Business Weekly  
CNN 0710-0740 Moneyweek  
1540-1610 Your Money  
1900-1940 Moneyweek  
0400-0110 Inside Business

# FINANCIAL TIMES

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Wednesday April 17 1991

## Europe needs free trade

YESTERDAY'S report on European Community trade policy by the General Agreement on Tariffs and Trade is refreshingly robust. Though few will be surprised by the thrust of the report's criticisms of the EC, it can only be healthy for the trading system that they should be brought into the open.

On the positive side, the Gatt is right to point out that the EC has so far resisted the temptation to build a trade fortress around its single market. Tariffs are relatively low in the Community and third countries are able to share through the benefits of the liberalisation.

Yet the Gatt's misgivings about EC trade policy are also valid. They deserve to be taken all the more seriously given the fragility of the trading system following last year's failure to complete the Uruguay Round on time, to which the EC contributed so much.

The EC does, as the Gatt complains, suffer from a tendency to respond to particular trade problems with targeted bilateral solutions - those of its anti-dumping rules, for example, or recourse to voluntary restraint arrangements. It does also operate a complex web of discriminatory preferential arrangements with the European Free Trade Association, Mediterranean countries and developing nations.

The EC's reply that it is still a large importer, even of the most heavily restricted products such as farm goods, textiles, steel and cars is lame. Nor is it any excuse to defend one's own barriers on the grounds that others have restrictions too.

The true message underlying the report is that there is a culture of protectionism at work in the EC. Whatever the record on Fortress Europe until now, there is a danger that this culture will come to dominate as the Uruguay Round grows more difficult.

### Increased protection

Already, there are unpleasant signs of protection gaining ground. After a period of apparent restraint, the Commission's traditional sleight of hand is reappearing in calculating dumping margins on video cassettes and tapes. The

number of dumping cases in the pipeline has swollen, while the granting of such procedural forms of protection remains too obscure in both its underlying rationale and its results.

To its shame the EC has also balked at opening up its borders to farm products, textiles and steel from the emerging market economies of eastern Europe. There could scarcely be a better way of undermining the political reforms so earnestly sought by the west for more than four decades.

### Higher stakes

When its country reviews were launched two years ago, the Gatt trumpeted them as means of exerting pressure against the worst protectionist tendencies of its members. Until now the Gatt's timidity has made the weapon largely ineffective. Its suddenly more outspoken style reflects a world where the stakes have grown immeasurably higher.

The hopes in Brussels and other European capitals that the Uruguay Round can be wrapped up this year are still just hopes. There is as yet no sign of the necessary breakthrough on farm subsidies, something that only the EC can provide. The worst the EC could do would be to add a willingness to cave in to its other protectionist lobbies to its failure to come up with a satisfactory offer on farming.

This would produce the kind of vicious cycle of action and retaliation that the Uruguay Round was supposed to prevent, rendering the chance of completing the talks ever more remote.

There is a striking contrast between the push for internal liberalisation of Europe's markets and the way its industries prefer to cling to external barriers. The external walls must be broken down too to secure the full benefit of the single market.

Europe must stop looking to the practices of others as justification for its own shortcomings and start to fight the rot from within. It can start by improving its farm offer in the Gatt, by eliminating barriers to imports from eastern Europe and by increasing its determination to resist the cries of its protectionist lobbies.

## The recycled Labour party

THE LABOUR party's latest policy document has many flaws, but its likely appeal to the electorate should not be underestimated. Only those with long memories will equate its most alluring phrase "to build a world-class economy", with the "white heat of the technological revolution" as promised but not delivered by the then Mr Harold Wilson in 1964. The principal means of achieving the freshly-stated objective is to be further investment in education and training, although Labour has surrounded that strategy with a plethora of other proposals, some aimed at particular interest groups, such as pensioners, and others intended to demonstrate the party's green or civic credentials.

To complete the package there is a range of constitutional proposals, from the establishment of a Scottish assembly and regional authorities to a "new charter of rights" and a freedom of information act. London will get its own local authority. These proposals fall a long way short of constituting a restraint on the powers of the executive. This is hardly surprising, since both the Labour leader, Mr Neil Kinnock, and his deputy, Mr Roy Hattersley, plainly intend to exercise as much central authority as any previous government.

There is, however, a little something for everyone. More on health, more on pensions, more on education - all are promised. This miracle is apparently to be achieved without falling into the trap of profligate spending. The constraints of Britain's membership of the exchange rate mechanism are recognised. Although public investment must "have a higher claim than tax cuts", the document is peppered with statements of prudent fiscal intent. The Budget and the annual expenditure plans will be consolidated into a single document. Income will be taxed on a rising scale from 20 per cent to 50 per cent, while the ceiling on national insurance contributions will be abolished although this latter impost will not be extended to pensioners, as it was in earlier documents.

### Apparent miracle

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Many questions arise. The Heseltine formula for a "partnership with industry" is carefully circumscribed, but it is not clear where partnership with industry will end and old-fashioned interventionism begins. The national minimum wage can hardly increase employment. The array of new quangos - from "Skills UK" to the proposed "National Investment Bank" - is daunting.

### Union practice

The promised reforms of trade union legislation may reflect continental practice, but how would a Labour government stand up to a challenge on pay initiated by, say, Nalco or Nipe? For all its moves to the centre, the ground of politics, Labour remains the party of new authorities, new regulations, new taxes or charges and a halt to privatisation.

Yet the Conservatives are in no position to decide any of this. They are still struggling to divest themselves of the poll tax, let alone produce a credible post-Thatcher manifesto. Some of their ideas are derived from the opposition's proposals, most notably the contemporary favourite known as "contractualisation".

This means using individual contracts to govern the relationship between customers of public services and the providing agencies. Under Mr John Major's guidance Tory ministers are as effusive as Labour about the need to improve health, education and similar services, but "contractualisation" apart, they are unconvinced about how the task can be done without increasing taxes.

Indeed the chancellor, Mr Norman Lamont, goes further. In his speech to the Adam Smith Institute last week he repeated the Tory pledge to reduce the basic rate of income tax to 20p as a "firm objective for the medium term" and stressed that "we do not believe that the solution to the undoubted problems of the public sector lies in ever more public spending". During the election campaign a reasonable question for Labour to ask will be, if that is the case, how will the Conservatives further improve education, health and the other elements of public infrastructure?

It is not well at Gates Rubber Company in Dunelm. The recession in Britain has depressed sales of Wellington boots and carpet underlay. Workers at the plant started an overtime ban last week after the company delayed April pay negotiations until at least July. "They have had a lot of good years from us, and they should stick with us in the bad times," says Mr George McGaughie, president of the GMB general union branch.

The discord at Gates is a symptom of the sudden change in the UK pay climate. The uniformity of private sector deals at the end of last year has fractured under pressures of recession, combined with entry to the exchange rate mechanism of the European Monetary System. Many companies are offering less than the "going rate" of between 9 and 10 per cent. Pay has been frozen in troubled industries: Trusthouse Forte's hotels, the Guardian newspaper, road haulage companies, and International Business Machines.

This change of mood has prompted some hope that rates of inflation in the 1980s have enabled it to respond more rapidly to economic shocks. Confederation of British Industry leaders believe companies have responded to their call to break the link between pay deals and the rate of inflation; ministers have spoken with approval of pay freezes.

The CBI believes it has detected a distinct change of behaviour among pay bargainers this year. Manufacturing deals in its pay databank averaged 8.3 per cent in the first quarter of this year, compared with 8.9 in the last quarter of 1990. "With inflation turning down and order books much thinner, the downward pressures on pay have been growing rapidly," says Mr Robbie Gilbert, the CBI's deputy director of employment affairs.

Some unions are feeling a chillier wind. The Amalgamated Engineering Union represents many of the skilled manual workers who did well out of the overheating of the British labour market in the late 1980s. Mr Gavin Laird, AEU general secretary, says most settlements reported to the union in the last few weeks have been about 7 or 8 per cent. "Once unemployment rises, pay aspirations are overtaken by fears of job loss. That's the incomes policy we've always lived with," he says.

Some managers have grown both more confident about containing pay, and more afraid of the consequences for profitability of not doing so. About 5 per cent of West Midlands engineering companies have managed to freeze pay without provoking industrial action, in the last sounding taken by the Engineering Employers' Federation. "People have got the message that the economy is not well. They might rattle sabres a bit, but they are not going to go over the top," says Mr Cedric Thomas, the regional EEF director.

As constraints on raising prices have grown because of the recession, companies have looked for ways of offsetting pay increases by other

reductions in labour costs. Retailers have cut working hours, and manufacturing companies have tried to raise productivity. WH Smith, the retail chain, raised the wages of 10,000 staff by 8.3 per cent in February; at the same time it agreed a temporary 4 per cent cut in working hours to keep the overall pay bill increase down to 4.3 per cent during the recession.

There has also been evidence of the discretionary element in pay through individual merit rises being curtailed. Woolworth ended pay rises for staff completing training courses last month. Together with hours cuts and a fall in overtime working, this has already sharply cut the customary "drift" in earnings above the level of pay settlements. The example of WH Smith could be followed elsewhere, leading to a national trend for earnings' rises to be below basic pay settlements.

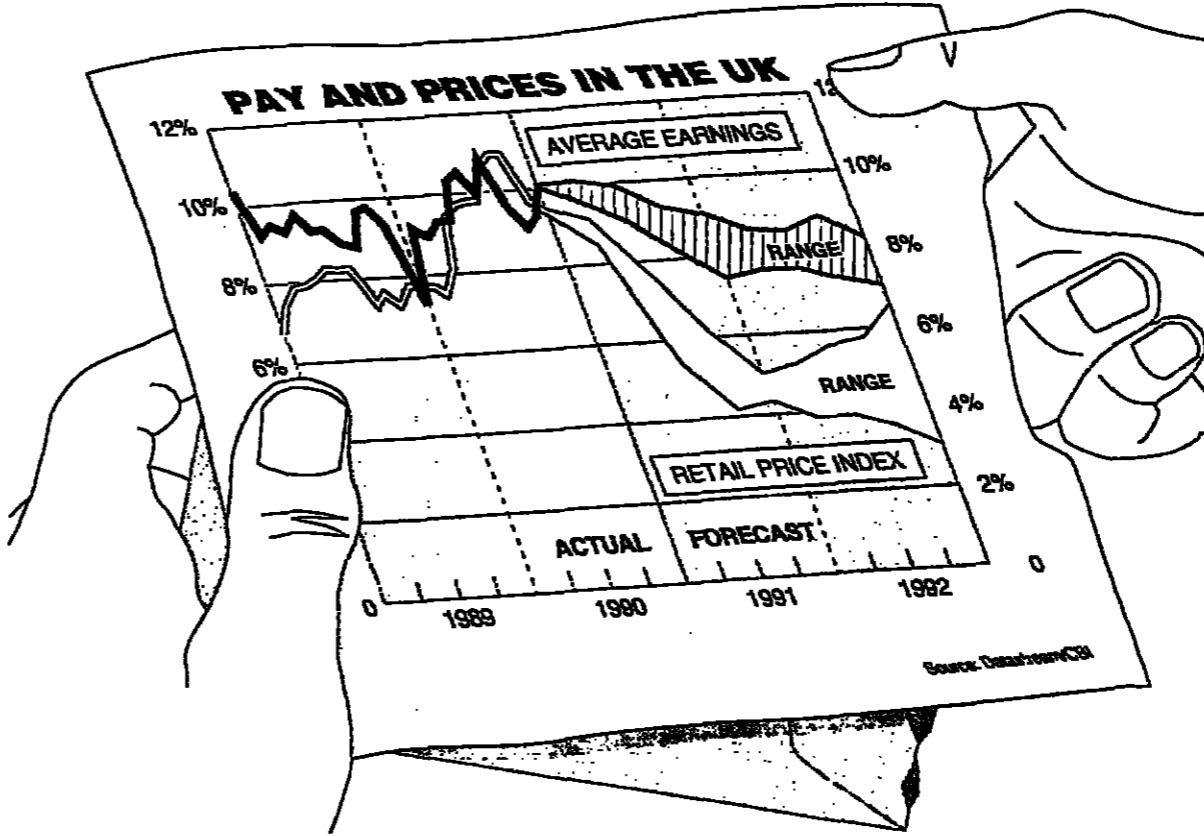
But despite these signs that some employers are changing their pay strategy markedly, there are indications that parts of the British labour market are behaving much the same as ever. Pay bargaining early this year is remarkably similar to that 10 years ago during the last recession.

The Incomes Data Services (IDS) pay research group reported in January 1991 that most deals were dropping to between 5 and 10 per cent as inflation fell. Four West Midlands engineering companies had imposed pay pauses; pay talks had been delayed for four months at another rubber processing plant, Avon Rubber in Melksham.

Mr Alastair Hatcher of IDS says pay settlements so far this year show no decisive break with the past. Deals

John Gapper examines the changing climate of pay bargaining in Britain

## Mixed signals on the wages front



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have been spread over a wider range but at a uniformly lower level. Most during February and March were at more than 9 per cent, although the proportion worth above 10 per cent fell to less than a third. There are still high pay deals in the public sector, in the retail sector and even in manufacturing where companies are negotiating changes in working practices.

The public sector is still catching up with the string of private sector pay in the past two years as comparability deals - based on private sector rises - take effect. Although health service groups covered by pay bargaining are being offered settlements of about 7.5 per cent, there have been rises of up to 14.5 per cent for National Health Service ancillaries. Pay offers to more than 300,000 civil servants provide for rises of between

7.5 and 7.8 per cent from April 1 in a month when inflation is expected to fall to below 7 per cent.

A second form of pay rise can be seen in the private retail sector, where companies are still settling at high levels because of job evaluation studies carried out to protect companies from equal pay claims from women staff. This is proving expensive for many employers. The supermarket chain Tesco agreed a pay deal worth between 13 and 14 per cent in February; rises of up to 17.7 per cent were given to the female-dominated jobs of sales assistant and till operators.

This is one reason why the pay clampdown has been less pronounced in the service sector than in manufacturing this year. Mr Bill Connor, deputy general secretary of the shopworkers' union Unions, is less daunted by the recession than Mr Laird. "I would not say we are ecstatic, but we are quietly pleased at the level of settlements so far this year," he says. Although deals have been worse outside food retailing, he says the union is "not disheartened yet".

Nor have manufacturing companies abandoned the 1980s habit of giving big pay rises in return for changes in working practices which will raise productivity. Imperial Chemical Industries last month offered its 23,000 manual workers a 12 per cent rise in basic pay over two years for agreeing flexible working; Lever Brothers, the detergents subsidiary of Unilever, has offered workers a 12 per cent rise in exchange for wide-ranging changes in working practices.

Perhaps the biggest uncertainty raised by the holding down of pay in the private sector is the pressures it will create for the future. The staging of pay rises to reduce the overall wages bill this year will in turn add to next year's costs. Michelin offered workers at its Stoke-on-Trent tyre plant an 11 per cent rise last month after imposing a pay pause at the start of the year. Similar pay clampdowns in the last recession led inexorably to catch-up rises later on.

All this suggests that economic pressures may have fractured many of the conventional approaches to pay bargaining of the 1980s without establishing a coherent reform. Some workers have been forced to accept lower wage rises by fears of unemployment and cost pressures on companies. They are likely to be storing up demands for the future. Other employees are emerging from recession with relatively little difficulty because their employers are profitable or their skills are still rare.

The test for employers such as Gates Rubber Company may come later this year if recession eases as inflation falls. The demands of exchange rate stability inside the EMS suggests wage increases must stabilise at below 5 per cent. If the engine of wage growth in the British economy has settled into a lower gear after this year's shocks, they may do so. If the engine has only stalled for a time, there will be another acceleration to face.

## The cost of curbing inflation

Although the invitation was cancelled when it became public, it was a token of renewed government interest in pay co-ordination. Its supporters argue that countries such as Japan, Germany and Australia have gained from an annual discussion of the affordable level of pay settlements involving employers, unions and government. This has allowed them to limit rises in unemployment and to keep inflation under control without statutory wage limits.

Mr Peter Robinson, a consultant to the Campaign for Work, argues that the fragmentation of UK pay bargaining has prevented the British economy reacting in the best manner to recession. "The fall in wage rises so far has been bought at a cost of 10 per cent unemployment, and that will not be enough," he says. "If inflation is to go down further, it will need unemployment of 12 or 13 per cent, and the experience of France is that that will become a permanent plateau."

UK support for pay co-ordination has emphasised the role it could play in establishing a pay norm consistent with low unemployment. In spite of this emphasis on wage control, there has been more support from unions and the Labour party than from

employers or government. The prime backer in the union movement has been Mr John Edmonds, leader of the GMB general union, who last year gained limited support for the idea from the Trades Union Congress. Yet resistance has grown within the TUC from an alliance of left-wing union scepticism of incomes policy, and right-led craft unions organising in manufacturing. The latter group fears pay co-ordination will benefit the low-paid at the expense of skilled workers.

The Labour party has been careful to dissociate itself publicly from the idea of wage controls, but supports

the idea of a "national economic assessment" each year before wage bargaining. Mr Edmonds says the idea is a means of delivering higher real wage increases rather than battling for big rises which are nullified by price inflation. "It is to do with the relation between wages and inflation. It is a means of getting decent real increases," he says.

The Confederation of British Industry remains suspicious of the idea, seeing echoes of the ineffective pay restraint agreements of the early 1970s. It wants individual companies to settle increases on what they can afford. It seems unlikely to gain convincing backing from the TUC this year. "It is another good idea which could help the economy, but may end up withering on the vine through lack of support," says Mr Edmonds.

## Royal coo is Gamble

Royal Insurance's decision to appoint a chief operating officer may not seem the most earth-shattering event. But it is yet another indication that one of the weakest of the UK composites is finally trying to put its house in order before someone else comes to its assistance.

The shiny new "coo" title goes to Richard Gamble, the 51-year-old finance director, and although the other executive directors will continue to report direct to Ian Rushton, the chief executive, Gamble is a man to watch.

Not only is Rushton, at 59, within three years of retirement, but he will soon be giving a good deal of time to the Association of British Insurers - he starts a two-year term as chairman in July. So Gamble will be responsible for seeing that Royal delivers on its much vaunted "improvement programme", which probably means it will have to recruit another finance director.

The new coo is one of the growing breed of wandering financial managers, having passed through Lowndes Lambert, Data 100, McDonnell Douglas, and British Airways where he served under Gordon Dunlop, one of Commercial Union's less successful chief executives. Like him, Gamble is a chartered accountant, and similarly caused some surprise in an inbred industry when he was brought in from outside in 1986.

There, however, the similarities end. As Royal's first finance director in 1986, Gamble is regarded as one of those competent money managers who thinks there is not much difference between an insurance company and an airline when it comes to running them. What counts is customer-service and squeezing the cost base.

Having leaptfrogged 50-year-old Robin Rowland, a Royal veteran, Gamble is Rushton's

obvious heir apparent, provided he makes a success of his new role. But Gamble has proved many times over, bringing in outsiders and giving them fancy new titles is the easy bit.

### Diplomacy

Students of international financial protocol are puzzling over the fact that Wim Kok, the Dutch finance minister, has been chairing the various meetings of Jacques Attali's European Bank for Reconstruction and Development this week.

Is this the work of a sensitive diplomat, or someone wanting to underline a point? Don't forget Attali's main rival for the coveted EBRD presidency was another Dutch finance minister, Onno Ruding.

### Abrasive

He may not rate as high as Kitty Kelley for titillating but Kjell-Olof Feldt, Sweden's former finance minister, is disturbing the country's placid public life with his newly published memoirs.

He was one of the country's few political heavyweights before resigning in angry despair 14 months ago on falling to convince party colleagues of what he felt was needed to revive the economy. Now his bitterness has erupted in a book that will do nothing to help his party's already hopeless chances in September's general election.

Sweden has known nothing like it. When its politicians produce memoirs, they are usually bland and boring. Moreover, the Social Democrats used to pride themselves on loyalty and discretion. Feldt is different; writing of his main party opponent, blue-collar unionist Stig Malm:



"With him as a friend, who needs enemies? Feldt's ex-colleagues may well say the same of him as they assess the damage his book will do to their party's prospects."

Abrasive on the Denis Healey pattern, Feldt likens his 1980s efforts to win wage restraint from Sweden's powerful unions to Healey's thankless toil in UK Labour governments a decade before.

As it happens, Feldt was a visitor to Labour's rumbustious 1980 party conference and witnessed the events that led to the breakdown of the Social Democrat "gang of four".

### Softy

Meanwhile, just how tough was he negotiating with Mrs Thatcher? Former Irish Prime Minister Garret Fitzgerald should know, having spent many hours with the dame of Dulwich discussing, among other things, the 1985 Anglo-Irish Agreement. Garret promises to reveal

all in his autobiography, due out in the autumn. He says that out of the book's 350,000 words, at least 50,000 are spent on the '85 agreement and the fairly robust series of discussions he had on the subject with Mrs T.

"The trouble she had" says Garret, "is that she rather liked me."

### Eyes front

Although today is Business Crime Day, I'm assured there is absolutely no truth in the rumours that the event is to be marked by a march-past of City dignitaries, all looking the other way.

### Gear change

Is Edsel Ford II still in the running to head the famous company founded by his great-grandfather Henry?

Members of the Ford family continue to clamour through the lower echelons of America's second biggest carmaker - for example, William Ford was made executive director of business strategy last month - but Edsel is out in front. Now 42, and having joined the company in 1974, he has done more than a dozen different jobs before being just made president of Ford Motor Credit, the world's second largest finance company.

A couple of years ago young Edsel was complaining bitterly that Donald Petersen, Ford's non-family chairman, was excluding him from the influential committees on the company's board. Since then, however, he has been keeping his head down, and a stint on the finance side is bound to increase his chance of a shot at the topmost job.

### Off beat

How many policemen does it take to change a lightbulb? Five. One to fit the replacement, and four to say the old one fell down the stairs.



**JOHN MCCARTHY.  
OUT OF SIGHT FOR  
FIVE YEARS.  
NOT OUT OF MIND.**

If you're concerned at the fate of the British hostages, please contact the Friends of John McCarthy, PO Box 80, London WC1X 8XF.

Don't forget the British hostages in Beirut.

## The pharmaceutical industry

## Educating the patient

By Ernest Mario

I'M ALL FOR PRESCRIPTION PHARMACEUTICAL ADS ON TV, DOCTOR. IT'LL SAVE ME WALKING TO THE LIBRARY TO READ THE HYPOCHONDRIAC'S MEDICAL DICTIONARY



## An EC draft directive on advertising needs watching

The pharmaceutical industry cannot be depended on to deliver breakthrough after breakthrough. In the 1940s, it was penicillin 6 and streptomycin. In the 1950s, corticosteroids, tetracyclines and anti-depressants. In the 1960s, it was diuretics and the polio vaccine. In the 1970s, beta blockers, H<sub>2</sub> antagonists and calcium channel blockers. In the 1980s, ACE inhibitors, anti-virals and interferon.

But breakthroughs are no longer enough. Doctors, patients, governments and third-party providers are no longer content. Their discontent is in spite of the fact that pharmaceutical companies invest 10 years and more than £100m in every compound they bring to market and are willing to re-invest, on average, 17 per cent of turnover in research and development. What has changed?

The answer is simple. Health care costs have exploded from a range of 3 per cent to 6 per cent in 1980, to a high today in the US of 11 per cent of gross national product. As a result, there is a new activism among formerly passive patients and payers to reduce costs - costs that affect them either in

direct out-of-pocket expense or increased upward pressure on taxes. The pharmaceutical industry must now demonstrate that it provides extraordinary value for health care money spent on medicines.

But how does one define value? Clearly, the effective use of prescription medicines generates an obvious and measurable economic value when it keeps people out of hospital and out of the operating room. But the other benefits of drug therapy - enhanced productivity, lower costs to employers, improved quality of life for patients and reduced pressure on health care organisations - are less easy to quantify.

But quantify them we must if we are to present a full picture of the value that the pharmaceutical industry provides.

Its self-presentation skills are growing. Companies have already begun to develop new ways of communicating with the public both in America and, to a lesser extent, in Europe. These include press conferences, media tours, media coverage of symposia, video news releases and discussions with the investment community about new medicines under development.

In the US, direct-to-consumer advertising is becoming increasingly common - both in print and on television - with the objective of increasing awareness about disease. Direct-to-consumer advertising helps to meet the greater demand for health information prompted by the consumer's

increasing awareness of the impact of the cost of care. It alerts consumers to new treatments, especially for conditions that were not previously treatable. It encourages people to seek medical attention. And ultimately it results in a more informed public.

This changing environment and these changing needs are not always perceived. There are points here to consider when one looks at the EC's draft directive on advertising for pharmaceuticals. This, in its present form, could prohibit the pharmaceutical industry from reaching European consumers directly through public media for the educational purposes I advocate.

I am not suggesting that Europe's airwaves should immediately be filled with brand-name advertisements for prescription medicines. I still have my doubts about brand-name advertising for prescription medicines because I believe that promotional efforts, whatever they may be, must never attempt to interfere with the physician-patient relationship. Rather, communications should encourage the patient to consult a physician about appropriate medical

## Well-informed patients annoy doctors but receive the best care

treatment. Educational campaigns in the US - such as Glaxo's on peptic ulcer disease and Pfizer's "partners in health care" series - have demonstrated their ability to do so.

In the new health care environment, education processes must take account of the value and the crucial public good that the pharmaceutical industry provides. Whether those processes are provided through public media or in other ways, the message must reflect the new realities of the pharmaceutical market place.

A recent Johns Hopkins University study showed that although well-informed patients were perceived as annoying by most doctors, it was those same patients who received the best care. In the new health care environment, the pharmaceutical industry must realise that part of its job is to educate every patient. If this challenge is met, treatment will improve, compliance will improve and, moreover, the industry's ability to provide the cures that people need and demand will continue to be as strong as it is today.

The author is chief executive of Glaxo Holdings.

## Jurek Martin

## Price of rapprochement

Japan could try to buy the Kurile islands but Mr Gorbachev may not be in a position to sell



## FOREIGN AFFAIRS

Ever since the Dutch paid the Indians \$24 to buy Manhattan, it has been getting more expensive to acquire territory occupied by somebody else. In 1803 Thomas Jefferson paid \$27,267,822 to the French in the Louisiana Purchase because he wanted the port of New Orleans. Admittedly Alaska, for which the Tsar accepted a measly \$7,200,000 from the US in 1867, was, in retrospect, a bit of a bargain, but the Russian monarch was keen to sell.

This week, according to some reports, Japan may offer about \$26,000,000,000 in order to get back four tiny islands with minimal commercial and questionable strategic value, occupied by the Soviet Union since 1945. Even then, all these extra zeroes may not be enough, for it is far from clear that the islands, which Gorbachev, in his "historic" visit to Tokyo, is in a position to sell, even though, heaven knows, his country needs the money.

Soviet-Japanese relations are indeed one of the more curious anomalies of the present day. There are historical and contemporary reasons for this, starting even before the Meiji restoration in the 1860s and running through the Cold War to the present. What they seem to amount to is an almost inherent mutual nervousness and suspicion, compounded by intermittent political paralysis in both nations and watched over, with acute interest, by the US itself.

Though Japan and Russia hardly featured on their common consciousness, both George Washington and Thomas Jefferson had things to say which, taken out of context, have a certain resonance to the current relationship between Tokyo and Moscow. Washington, for example, pronounced in his farewell address that the "great rule (in regard to foreign nations) is, in extending our commercial relations to have as little political connection as possible".

This advice is the perfect description of modern Japanese external policies, except that it only applies in part to the Soviet Union. Even though they are neighbours, even though Siberia's riches ought

to attract resource-poor Japan and the vast Soviet population be a magnet for Japanese consumer goods, Japan's trade with the Soviet Union has never amounted to much more than 2 per cent of its total foreign trade. Political exchanges, however, have conformed to Washington's dictum.

Jefferson once said that if trade were freed of its shackles, "the greatest mass possible would then be produced of those things which contribute to human life and human happiness". Modern mercantilist Japan would subscribe to the principle, but has hardly begun to practise it with the Soviet Union, where human happiness has not been a natural state. This stands in sharp contrast with the approach to China, which Japan has a complex and ambivalent relationship but which it sees as a

## Soviet-Japanese relations seem to amount to an almost inherent mutual nervousness and suspicion

bulwark against the Soviet bear and therefore more worthy of commercial cultivation, with three times the Soviet volume of trade.

Of course, Japan and the Soviet Union now constitute an almost classic mismatch. As Gerald Segal points out in a Chatham House paper released this week, "the basis for this... is the geopolitics of north-east Asia, where a thinly populated Soviet superpower faces a densely populated Japan which cannot defend itself. Yet Japan has emerged as an economic superpower while the Soviet economy stagnates and thrashes about for a suitable policy for reform".

Neither Mr Segal nor Dr Wolf Mendl, in his more cogently argued contribution to a new book, *The International Relations of Japan*, believes that settling the territorial dispute would necessarily instantly transform the relationship. This, Dr Mendl argues, may only be attainable within the context of a broader north-east Asian co-operation.

Equally, in Tokyo, there is no great inclination to settle for half a loaf - that is, the return, for now, of two of the four islands and unspecified future commitments. Mr Ichiro Ozawa, who resigned last week

as secretary-general of the ruling Liberal Democratic Party, did go to Moscow to explore the Soviet intent. But the process of selling an agreement of any sort to the Japanese public, which has been conditioned to settle for nothing less than resumed sovereignty of all the islands, has not even begun.

Indeed, there is even apparent a new steel in Japan's external policies, at least where money is concerned. Over the past week, Japan has said, first, that its aid contributions will take into consideration the amount the recipient country spends on defence (a wholly laudable statement); second, it has taken exception to debt forgiveness for Egypt and Poland, apparently because it does not necessarily share the political judgment behind these US-led proposals. This sounds like the Ministry of Finance asserting itself domestically, as it liked to during the whole debate over Japan's contributions to the Gulf effort. Neither pronouncement is necessarily the last policy word, since both involve conflict with the US. But if both are taken even at a discount from face value, the Soviet Union cannot expect to be receiving any Japanese blank cheques.

Still, the US could serve as broker to a Soviet-Japanese settlement. Wolf Mendl points out that since the origins of the territorial dispute lie in Soviet-American relations during and after the last war the US may have "a moral responsibility to work for a resolution", which is a fair point. But any mediation would have to be "indirect". If it is taking place at all, it certainly is not a visible part of President Bush's "New World Order".

With the benefit of hindsight, there probably was an open window of opportunity for a territorial settlement about two years ago. Then Mr Gorbachev might have been able to deliver domestically, Japan might have been pushed to turn him down, and the US might not have objected. And the Soviet Union would have been enriched by more than the Indians got from the Dutch, though looking at the state of Manhattan today they were probably wise to sell.

*Normalising Soviet-Japanese Relations: RIA Special Paper. The International Relations of Japan, edited by Kathleen Newland, Macmillan*

## LETTERS

## Why an industrial tribunal was moved

From Judge Timothy Lawrence. Sir, I was interested to read Lisa Wood's article (April 12) on the location of the London Industrial Tribunals. There were some errors in it which I am happy to correct.

First, the tribunals are independent judicial bodies and it is I, not the Department of Employment, who shoulders responsibility for their location and removal.

Second, I have no plans to move the London North Tribunals from their present address in Woburn Place, WCI. It is one of the two largest tribunals centres in the country and will

continue to serve the needs of the greater part of London.

Third, it is necessary to move the London South Tribunals because the end of the lease of their premises is in view. Their catchment area, at present, stretches to the south coast and will eventually include the area of the Brighton Tribunal office.

I therefore decided that a move out of central London had a number of advantages both as to cost and to site the tribunals more centrally in the region they will serve.

The fact that one of the present chairmen tells your

reporter that we are all "hoping mad" may have a little to do with their personal convenience.

The region's catchment area remains to be reconsidered and it is a little premature for the chairmen to decide that the move will be inconvenient to the tribunal users.

I am confident that most users will find the move rather more convenient and accessible. Timothy Lawrence, President, Central Office of the Industrial Tribunals, 98 Ebury Bridge Road, SW1

## UK green card cover can hold its own with European rivals

Mr Michael Butt. Sir, The letter from our customer, Mr Michael Russell (Letters, April 11), took us to task over green card cover.

In fact the Eagle Star policy he holds gives automatic minimum cover in EC countries and since July 1990 this has been extended to give full UK equivalence of cover without additional charge for up to 92 days a year, provided the policyholder advises us beforehand.

I do not, as Mr Russell suggests, complain about competition from French companies. However, the freedom of access that European companies enjoy in the open UK markets contrasts starkly with the difficulties that British insurers face in many European markets.

As to the quality of competition, if Mr Russell compares the cover and price of his comprehensive, protected Motorstar policy with anything available on the French market, he might think more favourably of UK insurers. Michael A. Butt, chairman and chief executive, Eagle Star, St Mary Axe, London EC3

**Fax service** LETTERS may be faxed on 071-873 5588. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

## Basic cause of inflation of property prices

From Mr Derek Broome.

Sir, Much recent comment including your Leader (April 16) overlooks the basic cause of inflation of house prices and credit - the artificial restraint on supply imposed by planning regulations.

Current "values" represent more than double the new building costs of an average house depreciated at say, 1 per cent to 2 per cent a year, representing a premium over agricultural use of land of perhaps 100 times.

In a free market your equity of £200,000 would drop by £40,000, leaving the asset value of property to that which could earn a reasonable return if rented.

Redevelopment of older sub-standard property would become worthwhile. No totally free market in land is likely or even desirable but corrections for the gross distortions which overprice hovels, and price out the young and homeless are urgently needed.

Some of the measures you rehearse should be implemented, including capital gains tax on equity release. Until the financial services industry as well as householders realise that "wealth" is Chinese Money unless capable of producing an income, the better. Much of this lending would have been better directed to industry.

Derek Broome, Potters' End, Mears Ashby, Northampton

## A lesson learnt in A-levels

From Dr F. Spooner.

Sir, In his article on the shortcomings of the American education system (April 15), Michael Prowse observes that the US has "nothing comparable with the British A-level or the German Abitur". Is this the same "British A-level" for whose abolition Mr Prowse used to campaign so relentlessly in your columns? F. Spooner, "Meadowside", Corfe Castle, Dorset



## So solidly built, the argument for an ordinary new car falls apart

Every day, quality controllers at the main Mercedes-Benz assembly plant take body shells off the line and prove the strength of main seam welds by trying to split them with cold-chisels. Every day, 20 Mercedes body shells are minutely checked for build accuracy at 500 critical points by eight-axis robots. And every day you'll see used Mercedes models at your local authorised Mercedes dealership, wearing the official



ENGINEERED LIKE NO OTHER CAR IN THE WORLD

Quality Used Car symbol, that have measured up to this daunting quality control procedure. That's why they're as superbly built and robust as they are, and why the Mercedes Quality Used Car scheme confidently backs them with at least 12 months mechanical insurance. It's also why an argument for an ordinary new car at the same price is no argument at all. Give your local dealer a call. One test drive is all you'll need.

Low
46.18
(3/1/75)
50.53
(3/1/75)
48.4
(28/4/84)
43.5
26/10/71
858.3
(28/7/84)
638.62
(16/1/81)
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## INTERNATIONAL COMPANIES AND FINANCE

## Royal reinsurance arm could realise £100m

By Richard Lapper in London

THE PROSPECTIVE sale by Royal Insurance of its 50 per cent stake in its Royal Re reinsurance subsidiary is expected to earn around £100m for the hard-pressed British composite insurer, according to insurance analysts.

News of the deal, which has been agreed in principle by Royal with General Re, the biggest reinsurer domiciled in the US, was announced in London yesterday.

A price of about £100m would be equivalent to roughly 1.5 times Royal Re's net asset value.

The disposal would mark a further stage in the withdrawal of the UK insurers from their involvement in reinsurance.

Following the sale by Legal & General of Victory Re last July, Royal Re, with net written premiums of £153m, was the second-biggest UK reinsurer outside the Lloyd's market.

Mercantile and General Re is the biggest reinsurer, but its owner, the Prudential Corporation, is also believed to be seeking a buyer.

The disposal is one of the first results of a strategic review by Royal Insurance of

its worldwide operations begun at the start of 1991.

Although Royal Re has specialist capacity in engineering and industrial risk reinsurance, the company has decided it is too small to compete with the giants of European reinsurance in a sector of the industry where size is increasingly important.

Royal had examined a number of options including geographical diversification, and acquisition but had decided the potential return on capital did not warrant the scale of investment needed.

In addition, Royal had become increasingly unhappy about the potential for conflict between its primary insurance and reinsurance operations.

Against a background of increasing rate competition and rising exposures in the UK household sector, Royal believes by offering reinsurance cover it may be helping to subsidise companies who are competing with it for direct business.

Royal also said prices were depressed in both the primary and reinsurance markets. Traditionally, the underwriting cycles of the two

markets have tended not to coincide, so a company with involvement in both insurance and reinsurance has been able to smooth out its income.

Royal is also expected to announce today the appointment of Mr Richard Gamble, the finance director appointed in 1989, to lead the management group which is conducting the strategic review. Mr Gamble, who will formally occupy the post of chief operating officer, will effectively be number two in the group to Mr Ian Rushton, chief executive. *Lex, Page 14*

## Groupe Bull increases control of US unit

By William Dawkins in Paris

GROUPES BULL, the loss-making French computer maker, yesterday increased management control of its US-based overseas division, so paving the way for a full reorganisation of the group's cumbersome structure.

It paid an undisclosed sum to buy the remaining 12.8 per cent stake held by Honeywell, the US electronics group, in Bull HN Information Systems, which groups the bulk of the French company's activities in North America, the Pacific Rim and Australia.

This means Groupe Bull will own 85 per cent of Bull HN, with the remaining 15 per cent in the hands of NEC, the Japanese electronics company which is being discreetly courted as a possible minority partner in the group itself.

Mr Francis Lorentz, Bull's chairman, is working on plans, due to be completed in the summer, to merge Bull's four fragmented operating units into a single company.

This implies bringing NEC into the group ownership, though officials of neither company are prepared to go into more detail.

Bull recently announced a record FF2.85bn (\$1.20bn) loss for 1990, following which the French government has had to fund job losses and the costs of rationalising the organisation.

NEC has been a partner in Bull HN since the unit was formed in 1987 by Bull, Honeywell and the Japanese company, from Honeywell's information systems division.

Honeywell has gradually run down its 42.5 per cent stake in the joint company over the years, to leave its hands free to concentrate on its core controls business.

Bull has at the same time been expanding in North America, culminating with last year's \$511.5m takeover of Zenith Data Systems, the microcomputer maker. Apart from Zenith and Bull HN, the other two divisions embrace Bull's French and European operations.

## Maxwell sell-off values group at more than £500m

By Clare Pearson and Raymond Snoddy in London

MR ROBERT Maxwell, the publisher, will today launch the flotation of 49 per cent of Mirror Group Newspapers in a move designed to raise in the region of £500m.

Mr Maxwell will unveil a tabloid-sized prospectus and the flotation will be promoted with a television advertising campaign featuring the Daily Mirror's famous cartoon character Andy Capp.

The hoped-for £500m-plus valuation of the company compares with the £135m purchase price from Reed International in 1984. Since then, however, there has been a fundamental modernisation programme, including the installation of colour presses and inserting equipment.

The company is expected to unveil operating profits of around £80m a year and a last-quarter performance up on last year, a significant achievement given the depth of the current advertising recession.

One third of the shares will be set aside for UK institutions, one third for overseas institutions, and the rest for British small investors.

Mr Maxwell's recent purchase of the loss-making New

York Daily News, which will not be included in the flotation, is expected to heighten US interest in the shares.

The company will be floated as a "pure publishing company" without property but with MGN's main popular titles at its heart: the Daily Mirror, the Sunday Mirror, The People, the Scottish Daily Record and Sunday Mail, and the Sporting Life. It also includes the newspapers' colour press.

The so-called pathfinder prospectus, which is to be published today, will form the basis on which the shares will be marketed to institutions over the next few weeks.

It will include details on the company except the share price, due to be announced on April 30.

Press advertisements start tomorrow, and the Andy Capp television campaign opens on Monday.

Although the Stock Exchange blocked plans to give MGN readers any special priority in the flotation, readers have been encouraged to buy shares with a relatively low minimum investment figure of £250.

## Thomson CSF result reflects fall in demand

By William Dawkins

THOMSON CSF, Europe's largest defence electronics group, yesterday provided the latest evidence of the slowdown in military equipment demand, with a 17.4 per cent decline in net profits for 1990.

Net profits fell to FF2.17bn (\$853m) last year, from FF2.63bn in 1989, the second consecutive year of earnings decline, but fractionally better than the group had earlier forecast. Turnover rose 9.8 per cent, slightly more than expected, to FF37.02bn from FF36.69bn over the same period.

Thomson CSF, 60 per cent owned by the French government, attributed the profits decline to an increase in restructuring charges, to FF1.1bn from FF717m in 1989, plus a reduction in contributions from minority holdings, to FF717m, down from FF1.27bn, over the same period. Thomson-CSF is making heavy reductions in its workforce to slim capacity in line with demand.

However, last year's net profits margin came out at 6 per cent as forecast, which Mr Alain Gomez, group chairman, said is among the best in the defence electronics industry.

Thomson CSF is one of the two main divisions of the fully state owned Thomson group, along with Thomson Consumer Electronics, which in February announced a FF2.7bn net loss, after a FF1.5bn restructuring charge.

## Elsevier sees increased growth in 1992

By Ronald van de Krol in Amsterdam

ELSEVIER, the Dutch publisher, said yesterday that earnings growth will improve from 1992 after slowing to a projected 10 per cent in 1991 because 1990's net result had been boosted by non-recurring items, mainly the book profits from Elsevier's sale of a 33 per cent stake in Wolters Kluwer, a fellow Dutch publisher.

In 1990, Elsevier posted a 17 per cent increase in after-tax earnings per share, which the company regards as the best measure of its performance. As reported, net profit soared by 60 per cent to FF507m (\$268m).

Mr Pierre Vinken, the com-

pany chairman, said growth in net profit would slow substantially in 1991 because 1990's net result had been boosted by non-recurring items, mainly the book profits from Elsevier's sale of a 33 per cent stake in Wolters Kluwer, a fellow Dutch publisher.

This month, Elsevier also sold its 8.5 per cent stake in Pearson, the UK publishing and banking group which owns the Financial Times. The proceeds of both these divestments will enable Elsevier to

finance most of its \$440m (\$787m) purchase of Pergamon, but the Dutch company will also draw on a bridging loan of around £50m.

The loan will be paid back by the end of 1991, enabling profit growth to resume its higher trend, Elsevier said.

Elsevier was already the world's biggest scientific publisher before it announced plans to acquire Pergamon.

One van der Grinten, the Dutch copier and office systems group, said net profit

in the first quarter of 1991 rose by 5 per cent to FF19.1m on sales up 3 per cent at FF58.2m.

The first-quarter result marks a slight improvement from the full year 1990, when net profit was barely changed at FF57.7m compared with FF54.7m in 1989 because of a rise in financial charges.

However, operating profit, which had shown an 8 per cent rise in 1990, fell to FF36.1m in the 1991 first quarter from FF37.1m in the same period of 1990.

## New head named at AP Moller

By Hilary Barnes in Copenhagen

MR JESS SODERBERG was yesterday named to take over as group head of the A.P. Moller shipping, offshore and industrial group, one of the world's biggest shipping companies.

At the same time the group reported a fall in net profits to DKr1.14bn (\$178.33m) from DKr1.62bn last year, reflecting a steep increase in taxes to DKr678m from DKr456m. Apart from shipping the group's operations include offshore oil and gas production, manufacturing and retailing.

Mr Soderberg, who is 46, will succeed Mr Maersk McKinney Moller, whose father, Mr A.P. Moller, founded the group in 1904. Mr Moller, 78, will retire from the company within the next couple of years.

## L'Oréal meets forecast with FF1.69bn

By George Graham in Paris

L'OREAL, the leading French cosmetics group, has met its forecasts with a 15 per cent increase in net current profits to FF1.69bn (\$298.8m) last year, its fifth consecutive year of double digit earnings growth.

The company, whose products range from Elmet hair spray to Helena Rubinstein cosmetics, Lancôme skin creams and Ralph Lauren perfumes, said sales rose to FF30.4bn, up 12.5 per cent on a comparable basis.

Net attributable profits totalled FF1.82bn, compared with FF1.80bn in 1989. Last year's results included essentially only one exceptional gain, a FF272m clawback from the FF388m provision made the previous year to cover a dispute with the French tax authorities over the treatment

of L'Oréal's royalty revenues, whereas 1989 had included FF747m of exceptional profits mainly from the sale of its hygiene and comfort divisions.

L'Oréal's hair and skin care products performed particularly strongly in 1990. Although the perfumes division showed a slowdown towards the end of the year and worsened at the start of this year, some perfumes, such as the Ralph Lauren and Paloma Picasso brands, produced strong gains.

Mr Pascal Castres Saint Martin, vice-president in charge of administration and finance, said L'Oréal's improved results stemmed principally from its control of the cost of raw materials and outside services. "All our outside services were very tightly managed,

including advertising costs, which had risen faster than sales in 1989. Last year, advertising progressed at around the same rate as sales," he said.

L'Oréal was less affected by currency movements than many of its competitors in the perfume and beauty products sector. Around 44 per cent of its sales are billed in French francs, and a further 40 per cent in other currencies belonging to the European Monetary System. Mr Castres Saint Martin explained.

The group's exposure to the dollar is limited because its US activities are conducted, for historical reasons connected with the old French exchange control regulations, through an associate, Cosmair, which it manages but does not own, and from which it receives royalties.

## SAFRA REPUBLIC HOLDINGS S.A. LUXEMBOURG

NOTICE IS HEREBY GIVEN by the Board of Directors of the Company that the Annual General Meeting of Shareholders of SAFRA REPUBLIC HOLDINGS S.A. ("SRH") will be held at the Hôtel Royal, 12, Boulevard Royal, Luxembourg,

on May 8, 1991 at 11.00 a.m.

for the purpose of considering and voting on the following matters:

- Chairman's Statement.
- Statutory Auditors' Report.
- Approval of the parent company only unconsolidated financial statements for the year ended December 31, 1990.
- Discharge of the Directors and of the Statutory Auditors concerning their duties relative to the year ended December 31, 1990.
- Approval of the proposed appropriation of US\$ 2,000,000 to the legal reserve, distribution of a dividend of US\$ 2.00 per common share and the carrying forward of the balance of the profit.
- Election of the Board of Directors and of the Statutory Auditors for a new one year term. All the Directors (with the exception of Mr. Roger Junod who has resigned) are eligible and stand for re-election.
- Election of M. Guido Hanselmann as a new member of the Board of Directors.
- Approval of the consolidated financial statements of the Company for the year ended December 31, 1990.
- Miscellaneous and individual proposals.

The Board of Directors

## NOTES:

Any shareholder whose shares are in bearer form and who wishes to attend the Annual General Meeting must produce a depositary receipt or present his share certificates to gain admission.

A shareholder wishing to be represented at the meeting must lodge a proxy, duly completed, together with a depositary receipt at the registered offices of SRH at 32, Boulevard Royal, Luxembourg, not later than May 6, 1991 at 5 p.m. The shareholder may obtain the depositary receipt and if required, the form of proxy, from any of the banks listed below by lodging the share certificates at their offices or by arranging for the bank by whom his certificates are held to notify any of the banks listed that shares are so held.

Any shareholder whose shares are registered will receive a notice of the Annual General Meeting at his address on the register, together with a form of proxy for use at the meeting. The proxy should be lodged at SRH's offices in accordance with the above instructions.

The remittance of the form of proxy will not preclude shareholders from attending in person and voting at the meeting if they so desire.

All the resolutions covered by the Agenda may be passed by a simple majority of all shares represented at the meeting.

Shareholders may obtain copies of the documentation listed hereunder:

- This notice
- The 1990 Annual Report including the Chairman's Statement, the Statutory Auditors' Report, the consolidated and parent company only unconsolidated financial statements

at the Company's registered office and from any of the banks at the following addresses:

- \* Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich
- \* Union de Banques Suisses (Luxembourg) S.A., 36-38 Grand-Rue, 2011 Luxembourg
- \* Republic National Bank of New York, 30 Monument Street, London EC3R 8NB
- \* Republic National Bank of New York (Switzerland) S.A., 2, place du Lac, 1204 Geneva
- \* Republic National Bank of New York (Switzerland) S.A., Via Canova 1, 6900 Lugano
- \* Republic National Bank of New York (Switzerland) S.A., Stockenstrasse 37, 8002 Zurich
- \* Republic National Bank of New York (Luxembourg) S.A., 32, Boulevard Royal, 2449 Luxembourg
- \* Republic National Bank of New York (France) S.A., 20, place Vendôme, 75001 Paris
- \* Republic National Bank of New York (France) S.A., 24, rue Feytaud, 75002 Paris
- \* Republic National Bank of New York (France) S.A., 2, avenue Montaigne, 75008 Paris
- \* Republic National Bank of New York (France) S.A., Sporting d'Hiver, 2, avenue Princesse Alice, 98006 Monte Carlo
- \* Republic National Bank of New York (Guernsey) Ltd, Sarnia House, Le Trucche, St. Peter Port, Guernsey, Channel Islands
- \* Republic National Bank of New York (Gibraltar) Ltd, Neptune House, Marina Bay, Gibraltar

\* Paying Agent of Safra Republic Holdings S.A.

## NOMURA GLOBAL FUND

SICAV  
Luxembourg, 11, rue Aldringen  
R.C. Luxembourg No B 31127

## Notice of Meeting

Messrs. Shareholders are hereby convened to attend the Annual General Meeting of the SICAV which will be held on May 3, 1991 at 3.00 p.m. at the registered office with the following agenda:

## Agenda

- Approval of the report of the Board of Directors and of the report of the Auditor.
- Approval of the annual accounts as at December 31, 1990 and the allocation of the profits.
- Discharge to the Directors.
- Re-election of the Directors for a new statutory term of one year.
- Miscellaneous.

The shareholders are advised that no quorum for the items of the agenda is required and that the decisions will be taken at the majority of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

In order to entitle the holders to vote, bearer shares should be deposited with Kredietbank S.A. Luxembourg, 43, boulevard Royal, L-2955 Luxembourg, not later than 11.00 a.m. on May 2, 1991.

By order of the Board of Directors

## US\$200,000,000 Guaranteed Floating Rate Notes

Repayable at the Option of the Holder at par Commencing October 1992

## Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Unconditionally guaranteed by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 5.9375% and that the interest payable on the relevant Interest Payment Date, July 17, 1991, against Coupon No. 45 in respect of US\$10,000 nominal of the Notes will be US\$150.09.

April 17, 1991, London  
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

## U.S. \$75,000,000

## The Bank of New York Overseas Finance N.V.

(Incorporated with limited liability in the Netherlands Antilles)

## Guaranteed Floating Rate Subordinated Notes due January 1996

Unconditionally Guaranteed, on a Subordinated Basis, as to Payment of Principal and Interest by

The Bank of New York Company, Inc.

(Incorporated in the U.S.A.)

Notice is hereby given that the Rate of Interest has been fixed at 8.125% p.a. and that the interest payable on the relevant Interest Payment Date, July 17, 1991, against Coupon No. 30 in respect of U.S. \$10,000 nominal of the Notes will be U.S.\$154.83.

April 17, 1991, London  
By: Citibank, N.A. (CSSI Dept.), Reference Agent CITIBANK

## Bond Corporation Holdings Limited

## Notice of Meeting in relation to

## Convertible Bonds Due 1997

US\$200,000,000

5% Guaranteed Subordinated Convertible Bonds

("US\$ Convertible Bonds")

Issued by Bond Finance International

GBP 80,000,000

6% Guaranteed Subordinated Convertible Bonds

("Pounds Sterling Convertible Bonds")

Issued by Bond Finance International

US\$179,850,000

5% Guaranteed Subordinated Convertible Bonds

("US\$ Series 'B' Convertible Bonds")

Issued by Bond Corporation Securities Pty Ltd

(hereinafter collectively the "Convertible Bonds")

All guaranteed on a subordinated basis by

## Bond Corporation Holdings Limited

TAKE NOTICE that by order of the Supreme Court of Western Australia (the "Court") a meeting of Subordinated Creditors of Bond Corporation Holdings Limited who are holders of Convertible Bonds (as that term is defined in the Scheme of Arrangement referred to below) ("the Meeting"), will be held on 9 May 1991 at Kensington Palace Theatre Hotel, De Vere Gardens, London W8 5AF at 11.00 am for the purpose of:

- Considering, and if thought fit, approving the following: Special Resolution:

"That this meeting agrees to the Scheme of Arrangement proposed to be made between Bond Corporation Holdings Limited and its Creditors (as defined in the Scheme of Arrangement) and Bond Corporation Holdings Limited and its shareholders"; and,

- Appointing two members to represent the holders of the Bonds on the Committee of Management (as defined in the Scheme of Arrangement) in the event that the Scheme of Arrangement is approved by the Court.

VOTING AND QUORUM

The procedure for attending and voting at the meeting is set out in an Explanatory Statement which may be obtained according to the instructions given below.

The quorum required to consider the Special Resolution set out above at the Meeting will be two or more persons present holding Bonds or voting certificates or being proxies or representatives.

To be passed, the Special Resolution requires a majority in favour representing not less than three-fourths of the value of the votes cast thereon.

In the event of there being more than two nominations for membership of the Committee of Management, a poll will be conducted and the two persons who receive the highest number of votes in value will be elected.

By the order referred to above, the Court has directed that Peter Charles Lucas or failing him James Titheradge Sharkey is to act as Chairman of the meeting and is to report the result of that meeting to the Court.

The Scheme of Arrangement, if agreed to with or without modification, will be subject to the subsequent approval of the Court.

FURTHER TAKE NOTICE that as a consequence of the calling of the above meeting, the adjourned meetings of the holders of US\$ Convertible Bonds and Pounds Sterling Convertible Bonds scheduled to be held on 30 April, 1991 are indefinitely adjourned, conditional upon the approval of the Scheme of Arrangement by the Court.

AVAILABILITY OF DOCUMENTS

For the holders of Bonds other than US\$ Series "B" Convertible Bonds, a copy of the proposed Scheme of Arrangement and a copy of the Explanatory Statement required by Section 412 of the Corporations Law of Western Australia and copies of voting certificates and other documents referred to above may be obtained by such bondholders from the specified office of any of the Paying Agents given below.

Holders of US\$ Series "B" Convertible Bonds may obtain a copy of the proposed Scheme of Arrangement and a copy of the Explanatory Statement required by Section 412 of the Corporations Law of Western Australia and copies of voting certificates and other documents referred to above from the Secretary of Bond Corporation Holdings Ltd, Level 43, 106 St George's Terrace, Perth, Western Australia 6000.

PRINCIPAL PAYING AGENT  
Bankers Trust Company  
1 Appold Street,  
Broadgate, London EC2A 2HE

PAYING AGENTS AND TRANSFER AGENTS  
Swiss Bank Corporation  
1 Aachenstrasse,  
CH-4002 Basel

Banking Indesque Luxembourg  
38 Allée Schaffer,  
L200 Luxembourg

REGISTRAR AND TRANSFER AGENT  
Bankers Trust Company  
Four Albany Street,  
New York, NY 10015

THIS NOTICE IS IMPORTANT. BONDHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE THEY SHOULD CONSULT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.

Dated this 29th day of March, 1991

2012/4/17

## INTERNATIONAL COMPANIES AND FINANCE

## Merrill Lynch soars 338% as Wall St fortunes recover

By Patrick Harverson in New York

THE EXTENT of the turnaround in Wall Street's fortunes since the beginning of the year was fully revealed yesterday when Merrill Lynch, the biggest securities house in the US, reported a 338 per cent increase in first-quarter profits, to \$181m.

The \$1.62-a-share earned by Merrill Lynch in the quarter exceeded the \$1.59-a-share reported by the company for the whole of 1990. In the first quarter of 1990, it made a profit of just \$41.3m, or 34 cents a share.

The stock market had been expecting good news from the company and, by mid-session, Merrill Lynch shares had risen only 1/4 to \$98 3/4.

An 18 per cent increase in revenues to a record \$3.1bn was behind the dramatic improvement in earnings, with income from principal trading business rising 87 per cent to \$550m, another all-time high.

The company said trading revenues from swaps, govern-

ment and agency securities, high-yield corporate bonds, corporate equities, and money market products rose significantly.

Commission revenues also rose sharply, climbing 21 per cent to \$221m, a reflection of improved market conditions, increased demand for securities from investors, and higher transaction fees charged to customers.

Merrill Lynch even turned in a profit on investment banking, the business that has endured the biggest contraction in the past 12 months. Revenues from investment banking rose 7 per cent to \$150m, with an increase in the underwriting of corporate debt and mortgage and asset-backed securities compensating for a decline in merger and acquisition activity.

Asset management and custodial fee income advanced 12 per cent to \$191m for the quarter, with assets under fee-based management increasing by a

record \$11bn to \$121bn. The results of the restructuring of Merrill Lynch that began in 1989 showed through in lower costs for the quarter.

Operating expenses, excluding insurance, compensation and benefits, fell 5 per cent to the lowest level for over three years, aided by a 15 per cent reduction in expenditure on advertising and market development.

The number of staff fell by about 800 in the quarter, taking the total jobs shed since the end of 1987 to over 8,000.

Total expenses actually rose to \$2.9bn, primarily because of the rise in commissions paid to financial consultants and account executives and in bonuses paid to other employees.

● Bear Stearns, the Wall Street securities house, yesterday unveiled fiscal third-quarter profits of \$37.7m, up 82 per cent on the \$20.8m earned a year earlier. Gross revenues were \$262.9m, against \$357.6m.

## BP seeks buyer for Texas subsidiary

By Bernard Simon in New York and Deborah Hargreaves in London

BP IS seeking a buyer for Tex/Con Oil and Gas, a wholly-owned Texas-based subsidiary which holds all the British company's onshore natural gas interests in the US, excluding Alaska.

BP Exploration declined to comment on its plans for Tex/Con. However, energy industry sources said the sale would be in keeping with BP's shift of emphasis in its exploration activities from the lower 48 US states to "frontier" areas, such as Alaska and Central and South America.

An analyst in London said Tex/Con is likely to fetch between \$650m and \$1bn. According to US reports, BP has appointed investment bank J.P. Morgan to handle the sale. Prospective buyers will soon be invited to inspect details of Tex/Con's financial and operating condition in New York and Houston.

Tex/Con's business, which includes exploration, production and pipelines, is centred in Louisiana, Oklahoma and Texas. It has interests in 3,000 wells and operates 1,500 miles of gas-gathering pipelines. Tex/Con produces about 11,800 barrels of oil and 121m cu ft of gas a day.

BP does not disclose revenue or profit figures for Tex/Con. But low natural gas prices, an inability to fully replace reserves, and falling oil production appear to have contributed to BP's decision to sell Tex/Con, which was set up as an autonomous, entrepreneurial venture. Staff has been sharply cut back as part of an effort to reduce overheads.

The company's problems emerged last week when BP announced Tex/Con's chief executive, Bill Johnson, was taking early retirement. Mr Johnson has been replaced by Mr Bill Sears, formerly vice-president for offshore exploration.

## Diversity helps GE to 5% improvement

By Bernard Simon

GENERAL ELECTRIC's diverse mix of businesses enabled it to overcome much of the impact of the recession in the first quarter. The Connecticut-based conglomerate posted a 5 per cent advance in net earnings and showed improved margins.

GE, whose interests range from power turbines to broadcasting, posted net income of \$999m, or \$1.15 a share, up from \$950m, or \$1.06 a share, a year earlier. Revenues rose 6 per cent to \$13.3bn.

Operating margins widened to 12.1 per cent from 11.3 per cent, the highest ever for a first quarter. The company said its productivity improved at an annualised rate of more than 5 per cent.

Mr Jack Welch, chairman, said that while the company might continue to be cushioned by its diversity, it saw no evidence that the surge in consumer confidence following the end of the Gulf war was being followed by any "meaningful" pick-up in business activity.

The strongest growth in earnings came from what GE calls its "long-cycle" capital goods businesses, chiefly aircraft engines, power station equipment and medical systems.

Earnings at GE Financial Services, which includes GE Capital and the brokerage firm Kidder Peabody, advanced by 15 per cent.

GE said that only NBC, its wholly-owned television network, suffered a significant drop in income in the quarter.

## Regulators move in at US insurer

By Nikki Tait in New York

INSURANCE regulators in New York State yesterday took control of Executive Life of New York, the smaller of the two main operating units of First Executive, the troubled Los Angeles-based life insurer.

The action by the New York Insurance Department followed a similar seizure by the Californian regulators of Executive Life, First Executive's larger operating unit last week.

First Executive is the biggest insurance company debacle the US has ever encountered.

Overall, the California-based company was reckoned to have almost \$500m worth of insurance in force at the end of 1990, and hundreds of thousands of policyholders.

The smaller New York unit alone has some 103,000 policyholders and certificate-holders, and reported earned premiums of \$94m last year.

Publicly about First Executive's enormous "junk bond" portfolio - it is believed to be the largest holder of junk after the Resolution Trust Corporation - in the wake of the Drexel Burnham Lambert bankruptcy a year ago, led to a wave of policy surrenders at the company. The insurer's problems were compounded when its sales network disintegrated.

Action by the New York regulators against the Executive Life New York unit was widely expected.

The insurance department said last week it was completing a study of the unit's financial condition, and expected to make a decision on the operation's immediate

future earlier this week.

Barier this month, as worries about First Executive's financial condition mounted, the New York department told Executive Life to stop writing new business and to bolster its reserves by \$125m.

Yesterday's move against the unit involved the insurance department petitioning the New York State Supreme Court for the authority to take possession of the insurer and directly oversee its operations.

While the court considers a permanent order, it issued a temporary restraining order, placing the company under the authority and control of Mr Salvatore Curiale, the New York superintendent of insurance.

The New York regulators immediately suspended all policy surrenders and policy loans at Executive Life New York. They stressed that the unit was not insolvent, but said they were worried that speculation about the company's future might lead to a "severe cash-flow strain and dissipation of the company's assets".

Surrenders have risen from 25 a day a few weeks ago, to over 400 a day.

The regulators' aim is to "rehabilitate" the unit. Mr Curiale said yesterday a group of New York companies, headed by Metropolitan Life, the second largest US insurer, had stepped forward to help manage the company and advise the department.

However, none of these companies have offered to buy Executive Life New York outright.

by the end of the decade.

American Home Products, another big US drug company, also reported improved first-quarter earnings and underlying sales yesterday.

The company, which sold its household products and depilatory businesses last June, had net income of \$32.5m, or \$1.12, compared with \$31.5m, or \$1.06, a year ago.

Net sales slid 3 per cent to \$1.78bn from \$1.81bn. However, after stripping out discontinued businesses, sales rose by \$133.2m, or 8 per cent, in the 1991 quarter.

Merck's results underlined the relative safety of the drug sector, and its shares added 1/4 to \$107 1/2 at mid-session yesterday, just shy of their 52-week high of \$107 1/2.

During the 1980s, Merck paced the industry in introducing new drugs, and its first-quarter results reflected the strong sales of a range including Mevacor, Vasotec, Zocor, Flomax and Vaseretic.

Merck said yesterday it had filed a new drug application with the Food & Drug Administration (FDA) for its Proscar drug to treat benign prostate enlargement. The condition afflicts about 60 per cent of all men over 50. The drug could bring in annual sales of \$1bn

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## Top New York banks held back by loan provisions and write-offs

By Bernard Simon in New York

TWO LEADING New York-based retail bank groups, Chemical Banking Corp and Manufacturers Hanover, have reported substantial declines in first-quarter earnings, largely due to continuing problems with loan portfolios.

Chemical's earnings fell to \$57m, or 74 cents a share, from \$151.7m, or \$1.55, a year earlier. Net of a restructuring charge and a gain from the disposal of a Florida banking group, last year's earnings were \$101.7m.

Earnings at Manufacturers dropped to \$78m, or 87 cents a share, from \$99m, or \$1.21.

Chemical's net interest income grew by almost 14 per cent due to the impact of lower interest rates on margins and a higher level of outstanding credit card balances.

However, fee and other non-interest income fell by 4.3 per cent as a result of lower trust revenue following the disposal of some businesses late last year, and of lower loan service charges.

Loan write-offs, excluding third world loans, jumped to

\$190.9m from \$59m, and loan-loss provisions rose to \$135m from \$70m. Non-performing loans, excluding third world debt, stood at \$2bn on March 31, a 6.2 per cent increase since December.

Manufacturers' loan-loss provisions have increased in the past year to \$146m. Although several of the bank's businesses have continued to perform well, its overall earnings have also been dented by higher deposit insurance premiums, investment in retail banking systems and the impact of the strong dollar on overseas expenses.

Mounting loan loss provisions, especially in the troubled property market, have also pushed down first-quarter earnings at two leading California-based banks, Security Pacific and Wells Fargo.

SecFargo's earnings tumbled to almost a half to \$85.6m, or 71 cents a share, from \$188.4m, or \$1.54, a year earlier. Wells Fargo's income dipped to \$152m, or \$2.36, from \$160m, or \$2.04, last time.

The one bright spot in SecFargo's results was a 15 per cent jump in fee and other non-interest income. However this was more than offset by a 3 per cent rise in interest income, a 7 per cent rise in operating expenses, and a near-doubling in credit loss provisions to \$71.1m, from \$39.7m.

SecFargo's first-quarter provision was \$97.2m higher than actual loan losses, excluding third world debt. Losses in the latest three months, totalling \$173.2m, were substantially down from the \$367.1m suffered in the fourth quarter of 1990.

Non-performing loans were \$2.3bn on March 31, up from \$2.1bn in December and \$1.7bn a year ago.

Wells Fargo's net interest income climbed to \$631m from \$590m, while fee and other non-interest earnings rose to \$204m from \$200m. Loan loss provisions, however, rose to \$88m from \$70m, and loan write-offs moved up to \$67m, including foreign recoveries of \$6m, from \$42m.

## Eli Lilly lifts net by 14% to \$495.8m

By Nikki Tait

ELI LILLY, the large US pharmaceuticals company, unveiled a 14 per cent advance in first-quarter after-tax profits, in line with the general strength of the drugs sector.

The group made \$495.8m in the three months to the end of March, compared with \$430.1m in the same period a year ago.

The profit figures were scored on sales of \$1.44bn, up 16 per cent on the previous year's figure. Eli said the improvement derived largely from volume increases in its domestic and international markets.

Among the main product contributors were Axid, which treats ulcers; Ceclor, an antibiotic; and Eli Lilly's top seller, Humulin, a genetically-engineered insulin. Humantropin, a growth hormone also genetically-engineered by Eli Lilly, and Prozac, the anti-depressant, which has run into controversy, provoking lawsuits which claim the drug has harmful side-effects.

Eli Lilly acknowledged that cost increases outstripped sales growth in the quarter, saying the rise in marketing and administrative expenses from \$303.6m to \$365.7m reflected added promotional costs on newer products.

## US telecom group slides

By Louise Kehoe in San Francisco

UNITED Telecommunications, the US long-distance telephone company, unveiled a sharp decline in first-quarter earnings yesterday, while Pacific Telesis, the West Coast regional telephone company, saw first-quarter earnings rise modestly.

UT's income fell to \$94m, or 38 cents per share, from \$108m, or 51 cents, in the same period a year ago. Revenues were ahead to \$2.3bn, up 7 per cent from \$2.1bn a year ago.

Operating profit at Sprint, the long distance division, was \$62m on revenues of \$1.3bn for the quarter, against \$61m on revenues of \$1.3bn in the preceding quarter.

Sprint's increased traffic volumes were offset principally by a decline from strong fourth-quarter earnings.

At Pacific Telesis, first-quarter income rose 1.5 per cent to \$268m, from \$262m in the same quarter a year ago. Earnings per share were 68 cents, up 4.6 per cent from 65 cents. Revenues were \$2.41bn, compared with \$2.37bn in the first quarter of 1990.

Pacific Bell, its principle telephone subsidiary, reported net income for the quarter of \$245m, up slightly from \$242m in the first quarter of 1990. Revenues for the quarter were \$2.16bn, compared with \$2.12bn in 1990.

## Boise Cascade fears worst

BOISE Cascade, the US forest products group, suffered a loss in the first three months of this year and has warned that its performance in the current quarter may be even worse, writes Bernard Simon.

Weak markets, exacerbated by higher costs and interest rates, pushed the company into a \$18.3m, or 53-cent-a-share, loss compared with a \$33.6m, or 73-cent, profit a year earlier. Sales slipped to \$992.7m from \$1.1bn.

As part of its response to the recession, Boise is cutting its

capital spending budget to about \$500m this year, only slightly more than one third the 1990 level. The \$2bn it spent on capital investment in the past three years is the chief cause of higher first-quarter interest and depreciation charges.

The company said prices have been eroded for most grades of paper it produces, and its wood products. Uncoated white papers, its largest single grade, have been especially hard hit.

## Square D 'ignoring will of investors' says Schneider

By Barbara Durr in Chicago

SQUARE D, the Illinois electrical products maker, is counting on several important obstacles to thwart Schneider's bid to gain control of the company. Schneider of France announced this week it had been tendered 78.1 per cent of Square D's shares and extended its hostile tender offer of \$78 per share, or \$1.90n, until May 3.

Mr Didier Pineau-Valencienne, Schneider chairman, said Square D was neglecting its shareholders' will by refusing to remove barriers to the transaction.

First, Square D's board would have to waive the company's obligation under the strict hostile takeover law of Delaware, where it is incorporated. Under that law, a hostile bidder for a company must acquire at least 85 per cent of the shares.

The board would also have

to lift a poison pill provision that makes a takeover prohibitively expensive. However, it refuses to remove these conditions, effectively preventing Schneider from purchasing the tendered shares.

Schneider has launched a proxy fight to change the suit in which Square D alleges the candidates would violate the interlocking directorates provision of US anti-trust statutes. A hearing in the US District Court of New York is due on May 13.

Schneider's first slate of nominees for the Square D board is the subject of a lawsuit in which Square D alleges the candidates would violate the interlocking directorates provision of US anti-trust statutes. A hearing in the US District Court of New York is due on May 13.

The Goldman Sachs Commodity Index (GSCI) is a new performance benchmark - and a great deal more.

Starting today, the GSCI undertakes a significant challenge. To establish commodities as nothing less than a key asset class for investors.

For, like stocks and bonds, commodities have total returns made up of price movement (spot return) and yield.

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The fact is, as measured by the GSCI, commodities have out-performed the S&P 500

Index and U.S. government bonds over the past 20 years.

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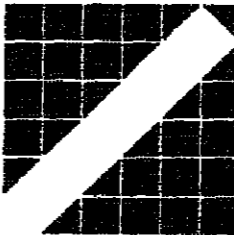
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Goldman Sachs Commodity Index



U.S. \$100,000,000  
**B.B.L. International N.V.**  
 Floating Rate Notes Due 1999  
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 as to payment of principal and interest by

**BBL**  
 Banque Bruxelles Lambert S.A./  
 Bank Brussel Lambert N.V.

Interest Rate	6 3/4% per annum
Interest Period	17th April 1991 17th October 1991
Interest Amount per U.S. \$5,000 Note due 17th October 1991	U.S. \$160.44

Credit Suisse First Boston Limited  
 Agent

The board would also have

# RAND MINES

Gold Mining Companies Reports for the quarter ended 31 March 1991

## Blyvooruitzicht Gold Mining Company, Limited

(Incorporated in the Republic of South Africa) Registration No. 050674/309  
ISSUED CAPITAL: R5 000 000 IN 24 000 000 SHARES

Quarter ended	31.03.1991	31.12.1990
Underground operations		
Ore milled (t)	379 000	368 000
Gold produced (kg)	2 048	2 159
Yield (g/t)	5.40	5.85
Revenue (R'000)	21 884	20 939
Cost (R'000)	18 283	17 514
Working profit (R'000)	3 601	3 425
Revenue (R'000)	174 28	161 28
Cost (R'000)	146 85	135 01
Working profit (R'000)	27 43	26 27
Surf operations		
Rock milled (t)	189 000	201 000
Gold produced (kg)	31 24	32 85
Yield (g/t)	16.52	16.35
Revenue (R'000)	28 231	28 841
Cost (R'000)	24 231	24 841
Working profit (R'000)	4 000	4 000
Revenue (R'000)	24 73	24 73
Cost (R'000)	22 73	22 73
Working profit (R'000)	2 000	2 000
FINANCIAL RESULTS (R'000)		
Revenue	89 371	79 041
Cost	73 452	65 154
Working profit	15 919	13 887
Revenue (R'000)	1 167	1 179
Cost (R'000)	1 167	1 179
Working profit (R'000)	0	0
Profit before taxation and State's share of profit	1 167	1 179
Taxation and State's share of profit	1 167	1 179
Working profit after taxation and State's share of profit	0	0
Capital expenditure - net	645	285
Dividend declared	-	2 000

The reduction in surface tonnage milled is due to the depletion of No. 2 shaft camp.  
There are commitments for capital expenditure amounting to R10.6 million. The estimated total capital expenditure for the remainder of the current financial year is R10.6 million.

**GOLD HEDGING**  
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the end of the quarter the company had the following outstanding hedging contracts:

Quarter	31.03.1991	31.12.1990
1991 - 2nd	672	132 982
1991 - 3rd	180	708 442

For and on behalf of the board,  
C. J. LAWRENCE (Chairman)  
J. R. FORBES (Deputy Chairman) Directors

16 April, 1991

## East Rand Proprietary Mines, Limited

(Incorporated in the Republic of South Africa) Registration No. 010077/306  
ISSUED CAPITAL: R15 304 181 IN 15 304 181 ORDINARY SHARES

Quarter ended	31.03.1991	31.12.1990
Underground operations		
Ore milled (t)	238 000	282 000
Gold produced (kg)	1 388	1 776
Yield (g/t)	5.83	6.30
Revenue (R'000)	21 884	20 939
Cost (R'000)	18 283	17 514
Working profit (R'000)	3 601	3 425
Revenue (R'000)	174 28	161 28
Cost (R'000)	146 85	135 01
Working profit (R'000)	27 43	26 27
Surf operations		
Rock milled (t)	332 000	318 000
Gold produced (kg)	5 124	5 124
Yield (g/t)	15.43	16.41
Revenue (R'000)	21 884	20 939
Cost (R'000)	18 283	17 514
Working profit (R'000)	3 601	3 425
Revenue (R'000)	174 28	161 28
Cost (R'000)	146 85	135 01
Working profit (R'000)	27 43	26 27
FINANCIAL RESULTS (R'000)		
Revenue	48 901	42 942
Cost	40 901	35 942
Working profit	8 000	7 000
Revenue (R'000)	1 167	1 179
Cost (R'000)	1 167	1 179
Working profit (R'000)	0	0
Profit before taxation and State's share of profit	1 167	1 179
Taxation and State's share of profit	1 167	1 179
Working profit after taxation and State's share of profit	0	0
Capital expenditure - net	2 000	1 776
Dividend declared	-	2 000

**BORROWINGS**  
Total borrowings at 31 March 1991 amounted to R14.5 million, including deferred interest of R10.2 million, compared with R14.5 million and R17.2 million, respectively, at the end of the previous quarter. Gross loan facilities are R14.5 million, compared with R14.5 million in the previous quarter.

**CAPITAL EXPENDITURE**  
There are commitments for capital expenditure amounting to R11.4 million. The estimated total capital expenditure for the remainder of the current financial year is R11.4 million.

**PROFIT ASSISTANCE**  
During the quarter a lump sum of R11.7 million for the pumping of excess water was received from the State. The same amount was received in the previous quarter. Working costs have been reflected net of this assistance.

**GOLD HEDGING**  
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the end of the quarter, the company had the following outstanding hedging contracts:

Quarter	31.03.1991	31.12.1990
1991 - 2nd	742	1 517
1991 - 3rd	1 327	8 344

For and on behalf of the board,  
C. J. LAWRENCE (Chairman)  
J. R. FORBES (Deputy Chairman) Directors

16 April, 1991

## Durban Roodepoort Deep, Limited

(Incorporated in the Republic of South Africa) Registration No. 010082/308  
ISSUED CAPITAL: R12 500 000 IN 25 000 000 SHARES

Quarter ended	31.03.1991	31.12.1990
Underground operations		
Ore milled (t)	297 000	256 000
Gold produced (kg)	2 000	2 000
Yield (g/t)	6.74	7.81
Revenue (R'000)	22 822	24 345
Cost (R'000)	22 354	21 116
Working profit (R'000)	468	1 229
Revenue (R'000)	118 21	118 10
Cost (R'000)	117 22	117 22
Working profit (R'000)	99	88
Surf operations		
Rock milled (t)	219 000	198 000
Gold produced (kg)	1 128	1 128
Yield (g/t)	5.15	5.70
Revenue (R'000)	20 922	20 922
Cost (R'000)	19 145	19 145
Working profit (R'000)	1 777	1 777
Revenue (R'000)	15 79	15 79
Cost (R'000)	15 79	15 79
Working profit (R'000)	0	0
FINANCIAL RESULTS (R'000)		
Revenue	38 981	36 981
Cost	36 981	36 981
Working profit	2 000	2 000
Revenue (R'000)	1 167	1 179
Cost (R'000)	1 167	1 179
Working profit (R'000)	0	0
Profit before taxation and State's share of profit	2 000	2 000
Taxation and State's share of profit	2 000	2 000
Working profit after taxation and State's share of profit	0	0
Capital expenditure - net	1 443	1 145

**PROFIT ASSISTANCE**  
Assistance totalling R1.5 million for the pumping of excess water and R0.8 million for the upgrading of pumping facilities was received from the State during the quarter, compared with R1.5 million and R0.5 million, respectively, received during the preceding quarter.

**GOLD HEDGING**  
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the end of the quarter the company had the following outstanding hedging contracts:

Quarter	31.03.1991	31.12.1990
1991 - 2nd	527	230 981
1991 - 3rd	489	1 328 543
1991 - 4th	197	708 442

For and on behalf of the board,  
C. J. LAWRENCE (Chairman)  
J. R. FORBES (Deputy Chairman) Directors

16 April, 1991

## Harmony Gold Mining Company, Limited

(Incorporated in the Republic of South Africa) Registration No. 050823/308  
ISSUED CAPITAL: R12 442 285 IN 24 884 450 SHARES

Quarter ended	31.03.1991	31.12.1990
Underground operations		
Ore milled (t)	1 515 000	2 049 000
Gold produced (kg)	4 970	5 520
Yield (g/t)	3.28	2.69
Revenue (R'000)	32 386	34 502
Cost (R'000)	28 514	27 979
Working profit (R'000)	3 872	6 523
Revenue (R'000)	148 28	152 28
Cost (R'000)	129 28	129 28
Working profit (R'000)	19 000	23 000
Surf operations		
Rock milled (t)	189 000	201 000
Gold produced (kg)	31 24	32 85
Yield (g/t)	16.52	16.35
Revenue (R'000)	28 231	28 841
Cost (R'000)	24 231	24 841
Working profit (R'000)	4 000	4 000
Revenue (R'000)	24 73	24 73
Cost (R'000)	22 73	22 73
Working profit (R'000)	2 000	2 000
FINANCIAL RESULTS (R'000)		
Revenue	189 802	216 942
Cost	161 802	189 802
Working profit	28 000	27 140
Revenue (R'000)	1 167	1 179
Cost (R'000)	1 167	1 179
Working profit (R'000)	0	0
Profit before taxation and State's share of profit	2 000	2 000
Taxation and State's share of profit	2 000	2 000
Working profit after taxation and State's share of profit	0	0
Capital expenditure - net	1 443	1 145

**PROFIT ASSISTANCE**  
Implementation of the reorganisation programme referred to in the previous quarterly report resulted in the reduction of 1 000 employees and the subsequent re-organisation of the management structure.

**GOLD HEDGING**  
The proceeds from hedging transactions completed during the quarter form part of revenue derived from the sale of gold. At the end of the quarter the company had the following outstanding hedging contracts:

Quarter	31.03.1991	31.12.1990
1991 - 2nd	4 987	834 971
1991 - 3rd	1 327	1 327

For and on behalf of the board,  
C. J. LAWRENCE (Chairman)  
J. R. FORBES (Deputy Chairman) Directors

16 April, 1991

**GENERAL NOTE**  
- All the companies mentioned are incorporated in the Republic of South Africa.  
- Interest capital values include share premium.  
- All interest capital values are subject to audit.  
- The values mentioned in the budget by the Minister of Finance have been utilised.  
- Copies of the above quarterly reports of the directors may be obtained on application to the share transfer secretaries.

**Share transfer secretaries**  
Rand Proprietary Limited  
Corner Northport Railway and Harbord Road  
Owens (P.O. Box 62-48, Sandton, 215)  
South Africa

**Share transfer secretaries**  
Harmony Proprietary Limited  
Corner Northport Railway and Harbord Road  
Owens (P.O. Box 62-48, Sandton, 215)  
South Africa

**Share transfer secretaries**  
East Rand Proprietary Limited  
Corner Northport Railway and Harbord Road  
Owens (P.O. Box 62-48, Sandton, 215)  
South Africa

**Share transfer secretaries**  
Durban Roodepoort Deep Limited  
Corner Northport Railway and Harbord Road  
Owens (P.O. Box 62-48, Sandton, 215)  
South Africa

**Share transfer secretaries**  
Harmony Gold Mining Company Limited  
Corner Northport Railway and Harbord Road  
Owens (P.O. Box 62-48, Sandton, 215)  
South Africa

## INTERNATIONAL COMPANIES AND FINANCE

### The real thing returns to India

Gita Piramel on Coca-Cola's move into a market of 860m consumers

For parched Coca-Cola aficionados in India and deprived of the real thing, happy days may be on the horizon.

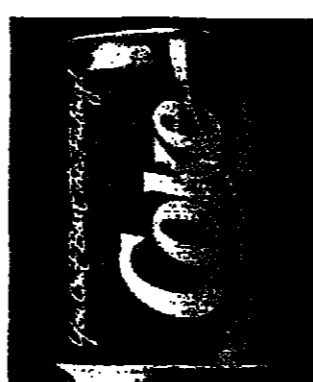
Talks aimed at reintroducing the fizzy drink into India are under way between Coke and Britannia Brands, an Asia-Pacific snack food processor with annual sales of \$400m.

"Yes, it is true that talks are going on, but it is too early to make a comment," said Mr Rajan Pillai, UK-based head of Britannia Brands.

His reluctance to talk to the media is understandable given the project's political sensitivity.

In fact, this is the US group's third recent attempt to get back to a market it walked away from in 1977 following an Indian requirement that most foreign companies reduce their equity holdings in subsidiaries to 40 per cent. Both Coke and IBM immediately pulled out of India.

But since PepsiCo, Coke's rival, acquired a toehold in India, one of the fastest growing soft drink markets in the world, Coke quickly modified its scruples. At the time Coke



Coke's logo may soon be a familiar sight in India

left India, sales barely nudged 20m cases. Last year, sales bubbled up to more than 110m cases, according to industry specialists.

To breach the heavily-fortified market, the US multinational shopped around for allies. Once it became known that Coke was looking out for an Indian partner, a fiery fight broke out among local businessmen.

Godrej (India's biggest privately-controlled business house), Parle (the biggest soft drink manufacturer with 70 per cent of the local market) and Pure Drinks (Coke's pre-1977 distributor) were among the keenest contenders.

It appears that Mr Pillai won on two points: his contacts in Delhi's political corridors, and Britannia's far-flung snack food empire with manufacturing facilities in six Asian and Pacific countries.

Britannia, in fact, is probably a rare Indian group which can tailor its application in line with Indian government regulations with their heavy export commitment clauses. In return for permission to bottle and sell Coke in India, Mr Pillai has guaranteed export sales of Rs8bn (\$400m) spread over 10 years.

This will be done by moving an extruded potato crisp plant from Singapore to India, probably in a high priority investment area in Maharashtra.

"This plant is already selling Rs300m worth of crisp worldwide. So we are offering real production and sure exports, not pie in the sky," said Mr

Pillai. However, it may be some time before Coke arrives on the shelves of Indian stores. With Indian elections scheduled for May 23, neither businessmen, politicians nor bureaucrats want to pick up more hot potatoes than they have to.

Even if and when production starts, success is shaky. It has been a long time - more than 13 years - since the Indian population of 860m had access to Coke. Now there is a whole new generation bred on the taste of rival brands.

Can Coke's world-famous brand wean the highly popular Indian brands?

Going by Pepsi's latest experience (in a venture with the Tatas and the Punjab state government, the company launched Lehar-Pepsi across India last year), this is going to be a big problem for foreign colas.

Last month PepsiCo's Indian operation reported a 1990 loss of Rs130m.

Nonetheless, the Indian soft drinks market is worth Rs10bn a year and is growing.

## Malaysian tin miner to cut dividend

By Lim Siong Hoon in Kuala Lumpur

**MALAYSIAN Mining Corporation (MMC)**, Malaysia's largest tin mining group, has suffered its worst year since the 1985 collapse of the tin market and plans to cut its dividend.

Group operating profits collapsed to M\$4.6m (US\$1.67m) from M\$53m, following a loss on tin mining operations. Bolstered by improved dividend income, pre-tax profits emerged at M\$51m, compared with M\$20m a year earlier.

Group turnover fell to M\$1.1bn from M\$1.6bn, despite improvements at its associates where turnover rose marginally to M\$408m from M\$382m.

Attributable profit was 39 per cent lower at M\$3m. The group is cutting its dividend to M\$14m from M\$19m, with a second-half proposed dividend of 10 cents a share.

Perlis Plantations, the big sugar and flour group, yesterday reported higher profits and turnover. Operating profit for 1990 rose by 32 per cent to M\$168m (US\$61m) on a 28 per cent rise in turnover to M\$2.6bn.

Helped by higher dividend income, pre-tax profit increased to M\$204m from M\$157m. The dividend is being held at 16 per cent.

## Australian gold producer up 65%

NEWMONT Australia, the gold mining group, has increased net profit by 65 per cent to A\$14.3m (US\$11m) in the first three months of 1991 compared with the same quarter of 1990, Reuter reports from Melbourne.

Mr John Quinn, managing director told the annual meeting the result was encouraging as Newmont made an allowance for the provision of tax liabilities accruing from January 1 this year.

Newmont Australia, 23 per cent owned by the Broken Hill Proprietary and 14 per cent by

Newmont Mining Corporation of the US, bought BHP Gold Mines for A\$450m last year. Mr Quinn said the result was assisted by an average realised gold price of US\$558 an ounce, which was almost US\$81 above average spot gold prices in the quarter, due to hedging.

Mr Quinn said production rose to 166,339 ounces in the first quarter from 73,171 ounces a year earlier, but the weighted average cost of gold rose to US\$344 an ounce from US\$336.

He said although the gold price was lower than in the recent past, production was

falling and industrial demand rising. Newmont Australia, Australia's biggest pure gold miner, was aiming for production of 730,000 ounces in the 1991 calendar year, compared with around 365,000 ounces in 1990.

"We are anticipating further modest production growth from existing mines in 1992," Mr Quinn told the meeting.

Newmont Australia's net profit rose to A\$47.7m in 1990 from A\$39.5m in 1989, but it made a A\$253.5m extraordinary write-off on BHP Gold assets in 1990.

## SA pulp and paper maker down 38%

By Philip Gawith in Johannesburg

**SAPPI**, South Africa's largest pulp and paper manufacturer, reported a 38 per cent drop to R774.7m (\$138m) in net earnings in the year ended February, 1991.

This follows a 44 per cent decline in the first six months, at R182.6m down from R326.8m. That result was affected by a series of labour and production difficulties and weaker prices for its products.

The latest results saw turnover drop 2 per cent to R2.67bn from R2.73bn.

Mr Eugene von As, managing director, said: "World markets were against us, with steadily declining selling prices

in international markets, and a depressed market at home." He added: "And we had to contend with a full year of a stronger rand and high interest rates."

A feature of the year was the establishment of Sappi Europe following the acquisition of five paper mills in the UK and the acquisition of the Hong Kong based Specialty Pulp Trading (SPT).

The latest holds contracts to distribute all Sappi's non-rand denominated sales.

Mr von As said the turnover contribution of Sappi's offshore associates was about an additional R1bn.

Mr von As said Sappi Europe, the launching pad for the group's planned growth into the European market, hoped to consolidate its position both organically and by acquisition.

Looking ahead, he predicted a modest increase in earnings in the current 12 months.

He said world markets in paper and pulp remained soft with dollar prices for the main grades currently 19 per cent below levels a year ago.

Earnings per share for last year fell to 402 cents from 650 cents. Sappi is maintaining its dividend at 200 cents a share.

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Managing Director  
Chief Economist

and

**Deborah E. Johnson**  
Senior Vice President  
Senior Economist

have joined our Firm

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m consumers

However, it may be time before the Indian shelves of Indian stores for May 23, neither the politicians nor the bureaucrats want to touch the hot potatoes. The Indian government is not likely to do anything to help the Indian economy. The Indian government is not likely to do anything to help the Indian economy. The Indian government is not likely to do anything to help the Indian economy.

up 65%

The Indian government is not likely to do anything to help the Indian economy. The Indian government is not likely to do anything to help the Indian economy. The Indian government is not likely to do anything to help the Indian economy.

own 38%

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INTERNATIONAL CAPITAL MARKETS

Bank hopes five-year stock will set benchmark

By Sara Webb  
THE Bank of England announced that it would offer a £1.2bn tranche of 10 per cent conversion stock due 1996 for auction on April 24 which it hopes will create a five-year benchmark.

The auction will increase the amount available of 10 per cent conversion stock due 1996 to £2bn. A representative of the Bank said that it would help to create a needed five-year benchmark against which investors could compare foreign bonds such as five-year French government securities and German five-year bonds.

However, the Bank has been buying gilts during the last three years and has only recently announced a regular programme of issuing large amounts of gilts to allow the government to meet its borrowing requirements. Hence the amount of stock available for swaps has decreased.

The Bank said that applicants whose competitive bids were accepted would be allocated stock at their bid price. The issue is partly paid at issue, with 50 per cent payable on May 25. Traders said that if the gilt market strengthened in the next few days, investors might be attracted by the issue being partly paid as this provides them with the opportunity to gear up.

The gilt market has been weak recently, however, and traders pointed out that the flood of rights issues and sterling Eurobonds in recent days might mean that the market has difficulty digesting the new tranche.

The auction will be the first that the Bank of England has held since August 1988, when it auctioned 90 per cent Treasury stock due 1994. During 1987-88, the Bank held what it called an "experimental series" of four auctions combined with gilt issues.

The dividend dates on the new tranche are May 15 and November 15. The gilt matures on November 15 1996.

Reduced competition lifts BFCE

PARQUE Francaise du Commerce Extérieur (BFCE), the French foreign trade bank, recovered strongly last year due to slightly less intense competition from other banks, writes George Graham in Paris.

Gross operating profit rose 38 per cent to FF450m (98m), on net banking income 7 per cent higher at FF1.70bn.

Average lending margins, which had fallen by a percentage point over the previous four years, increased slightly to 64 basis points last year, and the bank is experiencing a stronger improvement in the early months of this year. Without a deposit base, BFCE has faced fierce competition in the corporate market from high street banks.

However, all last year's income was used to boost BFCE's provisions for bad debts, where the bank is still trying to improve its cover. BFCE received FF1.58bn last year from its shareholders to cover its sovereign debt risks, as part of a capital restructuring. That enabled it to take its third world debt portfolio off its balance sheet.

German bonds hit by wave of heavy futures selling

By Sara Webb in London and Patrick Harverson in New York

HEAVY selling of German government bonds in the cash and futures markets yesterday afternoon pushed prices down. Traders expressed surprise as the London International Financial Futures Exchange Bond future moved through a half-point range yesterday to close at 85.45, suggesting significant selling.

The spread between 10-year German bonds and 10-year French government securities narrowed to less than 50 basis points. Traders said there had been a narrowing of the spread in recent days as dealers had marked down prices in the German market more swiftly than in the French.

Some traders pointed out that the narrowing of the spread could tempt investors to switch into German bonds. Investors have been selling German bonds and buying Spanish bonds and UK government bonds.

There are hopes of further interest-rate cuts in these markets, whereas in the German market the Bundesbank might raise the official interest rate when its council meets on Thursday.

UK GOVERNMENT bond prices slipped to close down on the day, having increased slightly as news of the Bank of England's gilt auction was announced yesterday afternoon.

As prices rose, some dealers sold. The market was not helped by the poor performance of the US and German markets.

The Bank of England announced that it was to auction a further £1.2bn tranche of 10 per cent conversion stock due 1996 on April 24. The existing

D-Mark warrant launched by Amex

THE American Stock Exchange (Amex) yesterday launched a new D-Mark warrant to meet demand from US investors for a financial instrument that reflected the changed economic conditions of united Germany, writes Patrick Harverson.

The D-Mark currency warrant - which trades like a call option and fluctuates in value as the US dollar rises or falls against the D-Mark - carries a strike price of DM1.7 and expires on September 30 1992.

Issued by Merrill Lynch, it is the first D-Mark product launched by the exchange since the reunification of Germany last year. Amex said that investors

had been seeking an instrument that took into account the effect on the D-Mark of German unification. The warrants would allow investors to participate in long-term investment or hedging strategies, said Amex.

The price rose 94 to 93 1/2 on turnover of 6,100 warrants by midday.

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BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS							
13.500	09/82	100-21	-0.02	10.84	10.52	10.51	
8.000	03/90	99-25	-0.02	10.08	9.97	9.97	
8.000	10/98	95-00	-0.02	9.84	9.75	9.59	
US TREASURY							
7.750	02/01	98-15	-0.02	7.98	7.90	8.04	
7.875	02/01	97-00	-0.02	8.14	8.17	8.23	
JAPAN							
No 110	4/90	98/98	-0.02	7.02	7.05	6.85	
No 120	4/90	98/98	-0.02	6.85	6.87	6.80	
GERMANY							
9.000	01/01	102.6500	-0.450	8.38	8.31	8.38	
FRANCE							
9.000	02/98	98.8000	-0.114	8.03	8.08	8.11	
9.000	01/01	104.1500	-0.210	8.83	8.88	8.94	
CANADA							
8.750	06/01	107.3250	-0.725	8.54	8.44	8.56	
NETHERLANDS							
8.500	03/01	99.4800	-0.580	8.58	8.52	8.65	
AUSTRALIA							
13.000	07/00	111.0138	-0.248	11.06	11.34	11.48	
BELGIUM							
10.000	08/00	105.2500	-0.150	9.12	9.35	9.30	

Technical Data/ATLAS Price Source

London closing, \*denotes New York morning session

Yields: Local market standard Prices: US, UK in 32nds, others in decimal

ing stock closed down a point, as did the benchmark 11 1/2 per cent gilt due 2003/07.

The existing 9 per cent Treasury stock due in 2008 closed at 93 1/2. The Bank offered a further \$200m of the stock last week with a minimum tender price of 94 1/2, which was undersubscribed, and the market is speculating that the Bank may have to cut the minimum tender price.

JAPANESE government bond prices rallied in response to a domestic news report that the Bank of Japan would ease monetary policy.

The yield on the benchmark No 120 10-year government bond fell from 6.72 per cent at Monday's close to a low of 6.515 per cent on the news. However, a Bank of Japan official later denied the story and emphasised the Bank's commitment to tight monetary policy.

Traders in London said they expected to see some profit-taking at the long end of the market with investors switching into medium-dated bonds. Yen weakness prompted some light

selling among European investors, traders said.

US GOVERNMENT bond prices eased at both ends of the maturity range yesterday morning in spite of some bad economic news, which would normally boost Treasury issues.

By midday the benchmark 30-year bond was down 1/4 at 97, yielding 8.137 per cent. The two-year note was also slightly easier, down 1/4 at 100 1/2, yielding 8.579 per cent.

Government figures released in the morning showed industrial production falling 0.3 per cent in March and housing starts - currently regarded as a useful indicator of economic trends - declined 9.3 per cent in the month.

That bond prices did not firm on negative economic news suggests that the lack of an interest-rate cut from the Federal Reserve continues to worry dealers and investors.

The Fed arranged two-day repurchase agreements yesterday, but with Fed funds opening at 6 1/2, the intervention was designed to push the rate down to its target of 6 per cent.

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UBS Phillips & Drew Securities Limited Yamaichi International (Europe) Limited

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Kingdom of Sweden

\$814,684,000

Fixed Spread Yankee Bond Tender Offer

The Kingdom of Sweden has offered to purchase any and all of its outstanding Yankee Bonds of each issue listed below at prices to be determined daily. The daily price for each issue will be calculated as the price resulting in a semi-annual yield equal to the sum of (1) the yield of the Reference U.S. Treasury Security specified below for the issue (as reported in the preceding day's "Composite 3:30 P.M. Quotations for U.S. Government Securities" published by the Federal Reserve Bank of New York) plus (2) the Fixed Spread specified below for the issue, in each case as more fully described in the Kingdom's Letter to Bondholders dated April 16, 1991.

Issue	Amount Outstanding	Reference U.S. Treasury Security	Fixed Spread
10 1/2% Yankee Bonds due 11/01/15	U.S.\$134,548,000	7 1/2% due 2/15/21	32 basis points
11 1/4% Yankee Bonds due 6/01/15	U.S.\$330,726,000	7 1/2% due 2/15/21	48 basis points
12 % Yankee Bonds due 2/01/10	U.S.\$123,160,000	7 1/2% due 2/15/21	48 basis points
0 % Yankee Bonds due 4/01/09	U.S.\$225,250,000	7 1/2% due 2/15/21	40 basis points

\$248,650,000

Fixed Spread Euro Bond Repurchase

The Kingdom of Sweden is interested in purchasing any and all of its outstanding Euro Bond issue listed below and for this purpose has appointed Salomon Brothers International Limited its exclusive dealer manager to seek to arrange repurchases. Bondholders may contact Salomon Brothers International Limited on behalf of the Kingdom of Sweden with proposals as to sale of such Bonds. On behalf of the Kingdom of Sweden, Salomon Brothers International Limited may at its discretion enter into repurchase transactions. If it does so the repurchase will be effected at a price to be determined daily. The daily price for the issue will be calculated as the price resulting in a semi-annual yield equal to the sum of (1) the yield of the Reference U.S. Treasury Security specified below for the issue (as reported in the preceding day's "Composite 3:30 P.M. Quotations for U.S. Government Securities" published by the Federal Reserve Bank of New York) plus (2) the Fixed Spread specified below for the issue.

Issue	Amount Outstanding	Reference U.S. Treasury Security	Fixed Spread
8% Euro Bonds due 3/25/16	U.S.\$248,650,000	7 1/2% due 2/15/21	60 basis points

Salomon Brothers International Limited

Mark Abrahams London 71-721-3225 (collect)

Robert E. Kiernan III New York (212) 763-3738 (collect)

Elmer Z. Nakao Tokyo 03-5255-4600 (collect)

This announcement is neither an offer to purchase nor a solicitation of an offer to sell these securities. The Yankee Bond offer is made only by a letter to the bondholders.

April 17, 1991

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HOW WELL DID YOU JUDGE THE MARKET?

## INTERNATIONAL CAPITAL MARKETS

## Hanson £500m issue well received

By Simon London

THE £500m convertible capital bond issue launched yesterday by Hanson, the UK industrial conglomerate, underlines the demand among international investors for equity-linked paper.

The deal was by far the biggest sterling convertible bond issue to be launched in the international market and was aimed mainly at continental European institutional investors.

Participants reported a positive response from institutional investors. Since the group has a market capitalisation of £10.5bn (\$18.9bn), or 2.3 per cent of the FT-SE 100 index, exposure to Hanson provides a good proxy for investment in the UK equity market as a whole.

The bonds also convert into Hanson American depositary

receipts, which may attract US institutions into buying the convertible bonds in the secondary market.

The conversion premium of 15 per cent at launch was high by the standards of recent Euroconvertible issues. Analysts suggested that this might have saved Hanson's share price from the "skid" - investors switching out of the ordinary shares and into the bonds - which has followed other convertible issues.

Indeed, speculation that the bond issue might pressure further acquisition activity by the company pushed Hanson's share price up initially. The price later fell back and the shares closed down on the day at 220p against a weaker stock market.

Although the bonds finally mature in 2006, investors yes-

terday assessed the issue on the assumption that the paper would be called after five years. Analysts at UK houses commented that the bonds looked slightly expensive, assuming that the five-year call option would be exercised.

However, many continental European investors were attracted by the 9% per cent coupon and regarded the option of conversion into equity as a bonus. Demand from continental Europe supported the issue and the bonds traded above the issue price of par throughout the day.

Credit Suisse First Boston, which lead managed the transaction, opted to structure the issue as a bought deal with a syndicate of four banks.

CSFB said that the small syndicate was necessary to maintain tight control of the

deal. The terms had been fixed before the launch, exposing the underwriting banks to considerable risk.

The success of the deal may prompt other UK companies to consider issuing convertible bonds in the international market. However, the size of issues is limited by rules imposed by UK institutional investors, under which existing shareholders must be offered a clawback if the share capital of the issuer is enlarged by more than 5 per cent.

Roche Holdings, the Swiss pharmaceuticals giant, said yesterday that its US subsidiary would launch a \$1bn warrant bond issue in the international bond market. Swiss Bank Corporation was said to be lead manager but declined to comment on the issue's timing.

## Goldman Sachs sets commodity index

By Barbara Durr in Chicago

GOLDMAN SACHS, one of Wall Street's leading investment banks, has developed a commodity index that it hopes will lure more institutional investors into the often treacherous futures markets.

The index provides a needed performance benchmark for investors, according to Mr Timothy O'Neill, a Goldman Sachs partner, and this should help increase the attraction of commodities as an asset class.

The Goldman Sachs Commodity Index (GSCI) will include futures on 18 physical commodities and will measure total return, including both price change and yield, with comparisons to returns from equities and bonds.

Energy and food products account for nearly 90 per cent of its value, with industrial and precious metals making up the balance.

The GSCI is intended as an aid for investors to hedge their portfolio risks against inflation and, because commodities are counter-cyclical to returns on bonds and equities, provide some portfolio insurance against drops in other markets.

Many institutional investors have hesitated to make commodity investments because of the "speculative, high-risk image" of the industry, said Mr O'Neill.

But these apprehensions can be put to rest by an index that measures the performance of these markets just as other indices do for bonds and equities, he said.

The GSCI will compete with an index by the Commodity Research Bureau, a division of the Knight Ridder Financial Publishing Group, and an index by Dow Jones.

Goldman Sachs may also develop products such as an investment fund based on the GSCI.

Through its J. Aron Currency and Commodities Division, the bank is one of the world's largest trading and advisory firms in the markets for petroleum products and precious and industrial metals.

## One firm's bright Chicago future is another's gloom

Barbara Durr finds that groups too small to survive are being bought - many of them by the Japanese

Falling commissions, increasing costs and a thinner-than-ever profit margin have led many leaders of the Chicago futures industry to predict that the number of futures trading firms will decline in the next few years to about 150 from the present 400. Some of the biggest players in this realignment are expected to be Japanese. Mr Leo Melamed, who last year retired from executive duties at the Chicago Mercantile Exchange, recently sold control of his family firm, Delishier, to a Japanese bank, Mitsu Taiyo Kobe Bank (MTKB).

Mr Melamed has long predicted that large well-capitalised firms would increasingly dominate the market, leaving small firms to go bust, sell out or exist only as niche players. "I was one of the firms that was going to be extinct if I didn't take my own advice," he said.

With 55 employees and \$11m in assets, Delishier is a small player. MTKB says it looked at several other Chicago futures commissions and considered the option of setting up its own in-house futures unit. It decided on Delishier because of the price - undisclosed - of the deal and because of Mr Melamed's prestige.

According to Mr Tomohiko Sumihara, vice-president of business management in New York for MTKB, some Japanese firms which began futures units in Chicago have had trouble "being accepted in that circle". He believes that the Melamed name will smooth MTKB's path. Purchasing Delishier was also less costly than developing its own expertise, said Mr Sumihara.



Leo Melamed: followed his own advice to avoid extinction

stream of Japanese companies and banks since 1987, when the Japanese government loosened regulations to allow firms to trade foreign futures. The "big four" of the Japanese securities houses - Daiwa, Nikko, Nomura and Yamachi - have chosen to establish in-house futures expertise.

Nomura has adopted a strategy of head-hunting big-name New York talent and local stars in Chicago. Unlike other firms that have kept most of their authority in Japan,

Nomura has given its US team free rein. As a result, the Nomura futures unit has become profitable in a short time, said Mr Robert Fitzsimmons, Nomura's Chicago chief. The president of Nikko Securities International, Mr Masumi Yamaguchi, explained that when his firm sought a Chicago partner, it found that small trading firms were mostly privately held without public disclosure statements, making an investigation of their creditworthiness and the quality of their client base difficult.

Nikko has been an aggressive Japanese firm: it was the first to open its own office and the first to launch a futures fund for Japanese investors. Daiwa has also sold a futures fund for Japanese investors and says it is pleased with its Chicago business.

Japanese futures funds are kept offshore by Japanese regulatory authorities. But that could change due to a law under consideration in Tokyo.

If it does, Chicago is expected to attract much of that new Japanese trading. Japan only has a limited financial futures market of Japanese government bonds and stock index futures.

However, if regionalist trends hold, Japan's markets may develop later and take back some of that business, according to Mr Morton Lane, president of Discount Corporation of New York Futures.

Mr Lane expects the futures industry worldwide to divide into three main spheres of trading - Europe, the US and Japan. Eager for experience and expertise, Japan's role in Chicago is likely to grow.

## Hopes of currency rise spark dollar deals

By Simon London

THREE tightly-priced Eurodollar bond issues were launched in the international bond market yesterday, hoping to attract those investors expecting an increase in the value of the US currency.

The biggest deal of the day came from SAB, the Swedish National Mortgage Association, which launched a \$400m six-year bond issue lead managed by Nomura International.

The bonds carry an 8% per cent coupon, the highest of the

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Swedish Nat. Mgt. Assoc. (a)	400	8 1/2	99.845	1997	27.5/200p	Nomura Int.
Santamon Mining (a)	300	8 1/2	100	1996	2 1/2/1%	Daiwa Europe
Delishier-Suisse Nat. Am. (a)	250	8 1/2	101.139	1998	1 1/2/1%	Delishier
Union Bank of Finland (a)	200	8	100.225	1994	1 1/2/1%	Morgan Stanley Inc.
Taihei Kogyo Co. (a)	100	8	100	1995	2 1/2/1%	Daiwa Europe
STERLING						
Hanson (a)	500	9 1/2	100	2006	2 1/2/1%	CSFB
Nip. Telegraph & Telephone (a)	100	10 1/2	99.57	2001	35/200p	SG Warburg Secs.
SWISS FRANCES						
Kommuninvest (a)	115	8 1/2	102 1/2	1998	-	SBC
Yasuda Real Estate (a)*	30	7 1/2	100	1996	-	Fuji Bank (Schweiz)
DEM						
World Bank (a)	150m	7	100.45	1995	1/2	Norichukin Int.

\*Private placement. Convertible, 4 1/2% equity warrants. Floating rate note. 15% term. 5% non-callable. Callable from 30/4/91 at par, 10% more than 85% of issue is converted, then callable at par after 5 years at anytime. Conversion premium fixed at 15%. Coupon payable half-yearly.

## INTERNATIONAL BONDS

three issues yesterday, and were priced to yield 80 basis points above the US Treasury bond yield curve.

SAB is rated Triple-A by Standard & Poor's, the US credit-rating agency, and few other borrowers of this credit quality offer such a wide yield spread over Treasuries. For example, Italy's six-year Eurodollar bonds trade at a spread of about 80 basis points.

However, participants in the deal commented that the best demand for dollar paper was at the shorter three-year to five-year maturities. The lead manager held the deal at the fixed reoffer level until the close of trading.

At the shorter three-year

maturity, Union Bank of Finland came with a \$200m deal lead managed by Morgan Stanley International.

The bonds carry an 8 per cent coupon and were reoffered to investors at the fixed price of 99.75, where the yield spread over Treasuries is 79 basis points.

The lead manager reported strong buying interest from institutional investors which have until recently declined to buy paper issued by banks and corporations. Investors switching into dollar bonds in anticipation of currency gains were attracted by the short maturity.

However, co-managers in the deal experienced slow going and the deal was again held at

the fixed reoffer price throughout the day.

Daimler-Benz, the German industrial conglomerate, launched a \$300m five-year deal lead managed by Deutsche Bank Capital Markets. The 8% per cent bonds were priced to yield 49 basis points over US Treasuries.

Daimler-Benz is not rated by any of the big credit-rating agencies, but is generally regarded by investors as having triple-A credit quality and is one of the few European companies to tap the market regularly.

In addition to institutional demand, the lead manager expected substantial placement among German and Swiss retail accounts.

The supply of sterling bonds was maintained by Nippon Telegraph & Telephone, which came with a \$100m 10-year issue lead managed by Warburg Securities. On Monday, Warburg lead managed a \$150m 10-year deal for Export-Import Bank of Japan, the first Japanese issuer in the sterling market for some years.

Yesterday's deal was priced to yield 50 basis points above the 10 per cent UK government bond maturing 2001 - four basis points more than for Ex-Im Bank.

The lead manager said that about 70 per cent of the issue had been placed with UK institutions keen to gain exposure to one of the world's largest companies.

## LONDON MARKET STATISTICS

## FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS									
Tuesday April 16 1991									
Figures in parentheses show number of stocks per section	Index	Day's Change	Est. Earnings (pence)	Gross Div. Yield (%)	Est. P/E Ratio	Index	Day's Change	Est. Earnings (pence)	Gross Div. Yield (%)
1 CAPITAL GOODS (187)	866.19	-0.9	11.30	5.58	10.87	11.55	873.73	872.31	877.76
2 Building Materials (241)	1125.24	-0.3	11.41	5.51	10.84	8.18	1128.87	1136.52	1139.22
3 Contracting & Construction (33)	1378.11	-0.2	10.81	5.72	12.21	21.06	1375.77	1387.41	1395.94
4 Electricals (10)	2432.50	-1.3	10.81	5.50	11.78	40.46	2444.86	2483.51	2504.61
5 Electronics (26)	1824.80	-1.2	8.59	4.88	15.48	3.31	1847.74	1891.04	1904.55
6 Engineering-Aerospace (8)	454.97	-1.8	15.40	5.50	7.84	8.86	463.44	468.28	469.94
7 Engineering-General (47)	459.84	-0.4	12.50	5.71	9.66	7.96	461.66	461.63	461.60
8 Metals and Metal Forming (8)	487.75	-0.8	18.70	7.08	6.40	0.59	491.91	498.36	490.35
9 Motors (13)	350.19	-0.9	12.31	6.82	9.61	9.45	353.39	352.96	357.09
10 Other Industrial Materials (20)	1534.73	-1.3	9.38	5.28	12.59	28.99	1555.00	1547.81	1562.09
11 CONSUMER GROUPS (185)	1467.02	-0.6	8.36	3.63	14.83	11.93	1475.84	1472.27	1473.57
12 Brewers and Distillers (22)	1785.04	-0.3	9.00	3.72	13.69	14.86	1794.47	1784.22	1789.34
13 Food Manufacturing (20)	1283.64	-0.4	14.00	4.05	13.10	15.55	1290.56	1294.36	1295.61
14 Food Retailing (16)	2805.54	-1.3	7.80	2.77	16.76	14.42	2842.16	2851.33	2857.37
15 Health and Household (21)	3245.35	-0.2	6.26	2.61	19.05	20.72	3251.43	3232.92	3242.41
16 Hotels and Leisure (21)	1351.68	-0.3	10.22	5.10	11.51	16.64	1365.99	1364.33	1375.49
17 Media (24)	1498.46	-0.4	12.21	4.51	13.62	17.88	1519.07	1513.14	1521.46
18 Packaging, Paper & Printing (16)	673.29	-0.9	8.20	4.90	15.08	11.09	679.74	683.94	683.01
19 Stores (34)	927.56	-0.8	8.97	3.89	14.47	2.57	934.99	929.93	928.09
20 Textiles (11)	537.13	-0.1	9.88	6.00	12.77	3.08	542.56	542.40	542.69
21 OTHER GROUPS (188)	1214.84	-0.7	9.90	4.97	12.52	9.64	1223.94	1223.94	1223.94
22 Business Services (13)	1214.32	-0.4	11.08	4.89	11.08	8.36	1218.71	1219.57	1223.91
23 Chemicals (21)	1265.32	-0.2	9.24	5.66	12.40	23.86	1262.94	1264.86	1276.48
24 Conglomerates (10)	1520.48	-1.7	11.03	6.76	10.83	12.84	1546.65	1542.22	1547.48
25 Transport (14)	2181.34	-0.7	11.24	4.44	14.85	25.52	2196.36	2203.98	2219.72
26 Electricity (14)	1380.25	-0.5	11.74	5.48	10.80	6.00	1388.68	1380.95	1379.86
27 Telephones & Telec. (4)	1453.10	-0.8	9.15	3.44	12.02	10.00	1464.46	1453.08	1463.69
28 Water (10)	2523.76	-1.5	13.43	5.55	8.32	39.69	2536.12	2532.44	2523.62
29 Miscellaneous (22)	1894.74	-0.2	6.37	4.92	19.96	21.91	1912.56	1888.87	1904.91
30 INDUSTRIAL GROUP (488)	1243.21	-0.7	9.45	4.45	13.03	11.34	1251.96	1247.26	1252.15
31 Oil & Gas (20)	2445.53	-0.5	10.31	5.45	12.63	40.03	2446.65	2416.85	2393.36
32 500 SHARE INDEX (500)	1344.90	-0.7	9.56	4.59	12.97	13.58	1353.92	1346.82	1349.66
33 FINANCIAL GROUP (97)	833.92	-1.3	-	-	-	17.25	845.29	842.00	849.01
34 Banks (9)	924.11	-1.7	7.94	-	-	21.93	941.82	947.01	952.08
35 Insurance (11)	1571.20	-0.5	-	-	-	41.64	1578.32	1597.97	1626.52
36 Insurance (Company) (6)	685.15	-2.4	-	-	-	20.23	701.88	704.81	708.23
37 Insurance (Brokers) (8)	1183.78	-1.1	6.74	5.67	19.30	20.10	1197.16	1178.71	1184.66
38 Merchant Banks (7)	1010.49	-1.1	6.42	4.76	12.23	4.47	1021.70	1021.58	1022.77
39 Property (10)	1010.49	-1.1	6.42	4.76	12.23	4.47	1021.70	1021.58	1022.77
40 Other Financial (20)	289.53	-0.3	9.52	6.24	12.94	4.41	288.69	288.62	289.15
41 Investment Trusts (6)	1214.62	-0.5	-	-	-	10.94	1220.66	1214.06	1212.13
42 ALL-SHARE INDEX (666)	1219.56	-0.8	-	-	-	14.09	1229.26	1222.89	1224.72
FT-SE 100 SHARE INDEX	2519.51	-23.1	2253.3	2518.61	2542.18	2526.1	2531.6	2531.6	2527.21

## FIXED INTEREST

PRICE INDICES	Tue Apr 16	Day's Change	Mon Apr 15	Accrued Interest	Yield to Maturity	Yield to Maturity	Yield to Maturity
British Government	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
1 Up to 5 years (28)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
2 5-15 years (10)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
3 Over 15 years (9)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
4 Indexables (6)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
5 All stocks (72)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
6 Index-Linked	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
7 Up to 5 years (11)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
8 5-15 years (10)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
9 All stocks (11)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16
10 Bills & Loans (54)	120.51	-0.01	120.79	1.49	3.79	9.18	9.16

## RISES AND FALLS YESTERDAY

British Funds	Rises	Falls	Same
Corporations, Dominion and Foreign Bonds	21	41	21
Equities	258	319	964
Financial and Property	125	139	477
Plantations	18	24	50
Minerals	25	41	



## Profit advance of 13% to £12m heralds 20th year of growth

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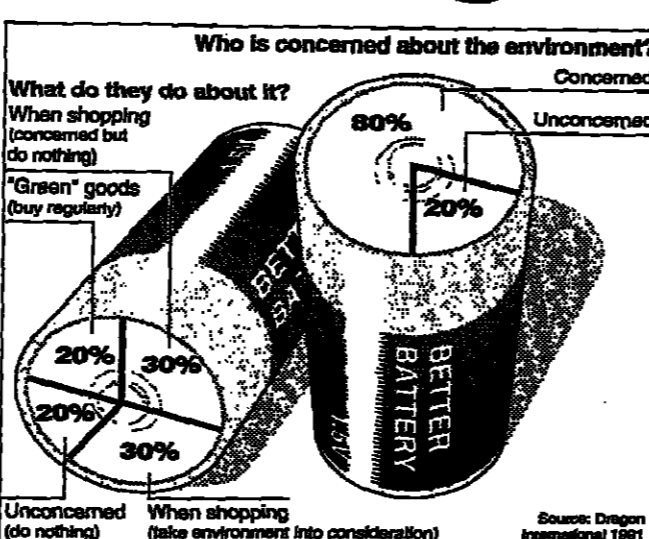
Manufacturers which claim that their products will not harm the environment cannot always back this up. In the final article on environmental challenges facing European business, Peter Knight looks at the market for green products and considers why consumers have lost some of their initial enthusiasm.

The advertising man said he was going to bet on the campaign with "the ozone thing". The client stared in disbelief. The use of spurious environmental claims in simplistic sales campaigns was soundly discredited last year. Rover, for example, promised that its Miro would not harm the ozone layer because it used lead-free petrol. Saab claimed its catalytic converters removed "ozone-punching hydrocarbons". Both claims were scientifically unsound. Britain's Advertising Standards Authority upheld complaints against these and other companies, including Rover, a maker of washing powders. Friends of the Earth started the Green Con award especially for the creators of such outrageous and misleading claims. The public, already confused by the complexity of the "environment thing", grew wary and cooled their brief love affair with so-called environment friendly consumer products. These now get far less shelf-space in supermarkets than a year ago. The success of a new brand

# Tarnish forms on the green image

of detergent, Radion, which offered no environmental guarantees but promised to remove body odour from clothes, was partly attributed to the ineffective "green" washing powder. It also highlighted the difficulty in communicating complex scientific issues as opposed to simple messages about smells and stains. The debate about the alleged effects of zeolites, phosphates and optical whiteners on the environment did not stand a chance against the promise to eradicate body odours. "Too many manufacturers thought that a little green slant was all that was needed. But the market moved on too quickly for that," says Dorothy McKenzie, of Dragon International, a new Anglo-French marketing consultancy. Although the Green Con and the ozone-punchers got most of the publicity, there were more intelligent marketing campaigns which used people's interest in the environment to stimulate sales. Varta, for example, marketed its mercury-free, and later cadmium-free, batteries in this way. This German-based dry-cell battery maker holds third place with around 9 per cent of the UK market for alkaline batteries and 7 per cent of zinc-based batteries, according to market researchers Mintel. It is a long way behind the market leaders, Ever Ready and Duracell.

For most of 1988 Varta sold zinc-chloride batteries which contained roughly the same amount of mercury as in competitive products. Its mercury-free "green" batteries were on sale in some Continental countries which were more environmentally conscious than the UK at the time. Varta saw an opportunity to improve market share and to differentiate itself from the main suppliers in the UK. It imported the "green" batteries and sold them as such, eventually wrapping them in what was considered appropriate packaging (no plastic, recycled card) and promoting them heavily as batteries that "don't cost the earth". The campaign worked well but consumers were either



unaware or did not care that throw-away batteries are inherently unfriendly to the environment. Their manufacture consumes more than 50 times the energy eventually delivered and they introduce hazardous chemicals into the environment when discarded. Varta prospered initially, however, by providing a product that the competitors did not offer. This achieved one of the company's aims - to get the rechargeable sector, which it sees as the next growth area. It offers to recycle its spent rechargeable batteries (which contain heavy metals) and gives a 50p voucher to customers who post their spent rechargeable batteries to the company. But the inadequacy - and sometimes rank stupidity - of some green promotional campaigns have overshadowed the fundamental shift that some observers detect in the consumer market. Green issues, it seems, will remain important because they are being joined by a set of complex social issues that are starting to influence consumer markets. "Companies now have to regard issues like environmental performance, corporate standards of behaviour, trading policies and community involvement as a crucial aspect of business marketing," says McKenzie. Some firms have taken this on board. Esprit, the US-based clothes retailer, promotes "responsible consumption". This idea is similar to that promoted so assiduously by the Body Shop. Its message is: buy only environmentally sound goods and buy fewer. By promoting reduced consumption (but not at their shops) and their particular version of corporate morality, companies such as Esprit and

the Body Shop are trying to sell a vision of how businesses should behave in a threatened world. Skeptics view this "vision thing" as opportunistic because it merely provides a version of the "unique selling point" (USP). But, say others, it should be seen as an example of how companies are being forced by a changing market to merge their brand and corporate marketing. These have been traditionally kept apart. Corporate affairs departments have been charged with massaging the company's image with soft sells, such as donations and sponsorships. The marketing departments have been responsible for selling the coarser benefits of the brand, such as the power to get rid of those horrible odours. But with USPs becoming more difficult to achieve, a supplier's corporate image is playing a bigger role in helping the consumer to choose between products that are largely identical - from computers and cars to hairspray. For example IBM, the computer and information services provider, is spending heavily on environmental improvements, from eradicating CFCs from its manufacturing plants to recycling plastic cups in its canteens. The "ozone thing" might not have a direct effect on computer sales, but achieving environmental excellence is essential to bolster corporate image. And the marketing of that image plays a vital role in maintaining its leadership in world markets where the stability and acceptability of the corporation is becoming more important than its purely technical achievements. IBM is not alone in this. Companies such as 3M and Shell have long seen environmental excellence as part of their pursuit of quality. Success in both areas bolsters their corporate image. Few multinationals are now without some form of written environmental policy, although the majority are still struggling with the complexity of reaching their aims. It will be some time before they can include their achievements in their marketing campaigns. Getting rid of those ghastly body odours from daddy's shirt will not be enough to win market share. But, it seems, neither will just being green.

Previous articles in the series examined environmental audits, product design and manufacturing.

# Industry on the warpath to fight greenhouse battle

John Hunt on efforts to sustain economic growth

The international business community is beginning to get its act together in preparation for the world environment and development conference in Rio de Janeiro next year - an event dubbed the Earth Summit. Governments will meet there to draw up an international convention to combat global warming. In Rotterdam last week 700 heads of companies and business organisations, including many corporate giants, met at the second world industry conference on environmental management to set their own agenda for ensuring that their voice is heard at Rio. Many people in business and industry fear that the Rio meeting could move in the direction of tighter government pollution regulations that would inhibit economic growth and international trade.

Business leaders argue that, contrary to the zero growth doctrine of some environmentalists - strong economic growth is the only way of providing the funds necessary to improve the environment in the industrialised world and provide aid for a cleaner performance in eastern Europe and the developing countries. At the conference, organised by the International Chamber of Commerce (ICC), business and industry mulled over these problems for three days. Out of it came a business charter for sustainable development - the buzzword for economic growth which refrains from inflicting lasting damage on the environment. The charter commits the 200 signatories to environmentally sound operations and to give the highest priority to environmental management. They promise to improve environmental performance and assess the environmental impacts of any new operation, to conduct regular "green" audits and to modify products and activities so they prevent environmental damage. Environmental campaigners were not overly-impressed by these good intentions. The code is voluntary and relies on peer pressure among industrialists for its observance. Nevertheless the ICC is undertaking

ing to discuss with the United Nations Environment Organisation the possibility of establishing a method of monitoring members' performance. The positive mood of the conference could not have existed a few years ago. This was summed up by Robert Kennedy, chairman and chief executive of Union Carbide, who had to deal with the aftermath of the disaster at his company's plant in Bhopal, India in 1984. At one time, he said, industry had automatically stone-walled when things went wrong. In the face of public outrage at such events, however, more information has been forthcoming. Now a dialogue had developed between business and public. "We ignore public fear and outrage



Its dark days are numbered

at our peril," he warned. There was also a consensus that the costs of improving environmental performance should be fully incorporated into the pricing system and passed on to the customer. The previously-held view that air, land and water were free resources has led to much environmental degradation. It was suggested that the cost of the big clean-up could put a squeeze on profits. The use of "market instruments" to encourage better performance through the workings of the free-market rather than by tougher regulations was given strong backing. Tradeable permits were advocated as one such method. Under this system a company with lower pollution can sell

its surplus permits to one with higher pollution. Thus the highest polluter pays the most and the principles of the free market are satisfied. The development of the free market was seen as a prerequisite for environmental improvement. "Industry considers environmental protection as a pre-condition for growth rather than a limit to growth," declared Heinrich Weiss, president of the Federation of German Industries. There was a cool reception for the notion of a carbon tax on fossil fuels such as coal, oil and natural gas - which produce much of the carbon dioxide that contributes to global warming. Turvill Aakvaag, vice president of Norsk Hydro and chairman of the ICC Environment Commission, said: "It would have to be harmonised internationally to be efficient and I don't think it is possible. It is inconceivable that China, which consumes the tonnes of coal a year, would be willing or able to introduce such a tax." Nevertheless, a main theme of the conference was the need for business to improve energy conservation and for governments to encourage it. Renewable sources of energy, such as wind and hydro power, should be encouraged but there was a strong feeling that fossil fuels will be the main form of energy for some decades. Nuclear energy also found strong advocates. "I don't think we can allow ourselves to disregard that option," said Aakvaag. "I am convinced that nuclear energy will make a comeback." Laurens Brinkhorst, director general for environment at the EC Commission, encapsulated the environmental problem facing world business. "Will industry have the courage and determination to take environmental measures in its own hands thereby maintaining its flexibility and competitiveness? Or will the policy makers be forced to take the difficult decisions needed to protect the environment?" The answer will become clearer as the Rio conference draws near.

## randstad holding

Randstad Holding nv, Registered office 25, Diemenmeer, Diemen (the Netherlands).

### Annual General Meeting of Shareholders.

Shareholders and holders of depositary receipts are hereby invited to attend the Annual General Meeting of Shareholders to be held in the head office of Randstad Holding nv, 25, Diemenmeer, Diemen (the Netherlands), at 4.00 p.m. on Thursday, 2 May 1991.

The agenda of the meeting is as follows:

- 1 Opening.
- 2 Report by the General Manager for 1990.
- 3 Adoption of the balance sheet and profit & loss account for 1990.
- 4 Profit appropriation.
- 5 Any other business.

Copies of the annual report and financial statements for 1990 are available free of charge in the Netherlands from the head office of the company and from the head offices of the Amsterdam - Rotterdam Bank nv, Algemene Bank Nederland nv, NMB Postbank Groep nv, Bank Mees & Hope nv, Rabobank Nederland and Kempen & Co nv; in Belgium from the Kredietbank nv and Generale Bank nv; in Germany from Commerzbank AG; in France from Société

### Générale and in the United Kingdom from Morgan Stanley International.

Shareholders (or their proxies) wishing to attend the meeting should deposit their share certificates at the head offices of the above banks or at the company's office by 26 April 1991 at the latest. The receipt of deposit will serve as admission ticket to the meeting.

Holders of depositary receipts (or their proxies) must have notified the Board of Management of Randstad Holding nv, P.O. Box 12600, 1100 AP Amsterdam (the Netherlands), in writing of their intention to attend the meeting no later than 26 April 1991.

Diemen, 17 April 1991  
The Management

Randstad Holding nv heads an international service group concentrating on temporary employment, cleaning and security. Via their 20 operating companies, the group is active in a network of 460 branches in five EC countries. Some 400,000 people over the year, worked for the Randstad Group in 1990.

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FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER

### EUROPEAN FINANCE & INVESTMENT IN IRELAND

The FT proposes to publish this survey on 22 MAY 1991. It will be of particular interest to 89% of European Institutional Investors who are regular FT readers. If you want to reach this important audience, call Charles Blandford on 0001 966 000 or fax 0001 964 962.

### FT SURVEYS

## BANESTO OPENS THE DEALING ROOM OF THE FUTURE

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## Market weakens on the latest data

London equities staged a sharp reversal yesterday as early bid talk was overwhelmed by concern that the next cut in UK interest rates will be several months away.

The initial strength followed Hanson's £30m cash raising exercise in the Euro market. A familiar list of possible bid targets did the rounds in the market, and several of them managed to bid on to small gains as a result. This speculative activity initially pushed the FT-100 index to a new intra-day high of 2553.3 but trading was light and the rise almost immediately triggered selling of futures contracts.

Sentiment was not helped by suggestions that the Bundesbank might raise German interest rates at its fortnightly meeting tomorrow. Last week

Account Opening Dates			
First Dealings	Apr 15	Apr 20	
Options Dealings	Apr 15	Apr 20	
Last Dealings	Apr 15	Apr 20	
Account Day	Apr 15	Apr 20	

Three-month interbank rate - which is an expectation of the average base rate over the next three months - closed at 12 1/4 per cent, compared with the base rate now of 12 per cent.

The gilts market was dull as a result. Much of last week's

scored the market's view that there was a floor under interest rates. Factory gate prices rose 0.7 per cent last month, leaving the annual rate at 6.3 per cent for the third month in succession.

If traders and investors needed confirmation that this implied that the underlying rate of inflation is still a problem for the government, they had only to look at the money markets. If inflation stays high, as output price statistics suggest, so will the price of money.

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tap stock issue remained unsold and prices generally were trimmed. "It is cheaper to buy in the market," said Mr Paul Walton at James Capel.

Mr Walton added that equity strategists were trying to anticipate the effect the May local government elections might have on share price sentiment. Analysts were preparing contingency responses to both good and bad performances by the ruling Conservative party.

Sterling lost some ground yesterday and this led several large-capitalisation issues to underperform an already slipping stockmarket. Shares fell steadily from the day's peak, not helped by a weak opening on Wall Street, to end just above the day's low at 2519.5, a net decline of 23.3. The swing on the day was more than 37 points.

Turnover at 446m shares was a little higher than the previous session's depressed level but still less than the volume the market has become accustomed to in the bull run that started in January.

The reversal of fortune was also seen in the futures market, which moved in a 50 point range. Traders said that the June contract dropped through a support level, and it continued to fall in after-hours trading.

Apart from Hanson, corporate news was thin on the ground. There was one small rights issue from engineering group KIS.

It served as another reminder to the market that with the Fosters so near its all-time high, that more, and larger, rights issues were likely in the short term.

## SmithKline rises on drug sales

SmithKline Beecham put in a good performance in the wake of reports that analysts in London and New York. The gains at the expense of Glaxo because much of the discussion with the analysts concerned patents on money-spinning drugs where worries have been stocks in recent weeks.

Analysts heard how the exp. of the patent on SmithKline's best-seller, Tagamet, will be compensated for by the sales of two new drugs: Seroquel, an anti-depressant, and Argentinin, an anti-nausea.

SmithKline limited that sales of Seroquel would pass £1bn a year - an unofficial definition of blockbuster drug - later in the decade while Argentinin would be a bigger seller than Tagamet within two years.

SmithKline gained 9 to 818p on steady turnover of 1.6m. Glaxo, down 15 to 1085p on 2.1m.

Hansonactive  
Turnover in Hanson leapt to 2m in the wake of the company's announcement that it was raising £500m through an issue of £15-year convertible subordinated debt at a 9 per cent coupon.

The new restarted speculation that the acquisition of Hanson was a big bid for a large company, although all suggestions were greeted with some scepticism by traders. Hanson itself lost to 220p.

Possible candidate  
Analyst reactions to the £500m fund-raising was to link news with recent suggestions that Brent Walker could be about to divest himself of his "treasure" William Hill bettinghouse operation.

Brent Walker shares moved higher in speculation that Hanson may be keen on acquiring the cash-generative William Hill organisation which comprises some 1,700 bettingshops throughout the UK.

Speakers were sceptical about the speculation that Hanson was a big bid for a large company, although all suggestions were greeted with some scepticism by traders. Hanson itself lost to 220p.

Fromotions  
Barclays

Mr Andrew Buxton (left) is being appointed a deputy chairman of BARCLAYS, and Mr Humphrey Norrington (right) becomes vice chairman. Mr Buxton remains group managing director, and Mr Norrington deputy group managing director and finance director of Barclays.

YORKSHIRE BUILDING SOCIETY ESTATE AGENTS has appointed Mr James R. Morrison as managing director from June 1. He is head of operations (UK) for General Accident Fire and Life Assurance Corporation, and succeeds Mr Barry Davies, the Society's general manager (administration/staff) who has held the post of managing director on a part-time basis.

SOFTWARE SYSTEMS management staff have bought out the majority stake in their company held by Micro Focus and have made the following board changes. Two Software Systems divisional managers are appointed to the

divestment from Brent Walker seems likely in the medium term," said one analyst.

Brent Walker acquired William Hill in the autumn of 1989 for some £280m, financed by bank borrowings. Brent Walker shares, responding to hopes that a William Hill sale will eventually materialise, moved up to 79p before slipping back to close a net 4p at 818p.

Foremost among FT-SE stocks considered vulnerable to any predatory move by Hanson was Pilkington. Previous speculation of a possible bid from rival conglomerate and stakeholder BTR was forgotten as Pilkington rose against the market to touch 207p. Later they came away from the highest to close a net 3p firmer at 205p after turnover of 4.1m shares.

Another possible Hanson candidate was said to be Allied-Lyons, which last month suffered weakness on the disclosure of a large currency loss. Traders were sceptical of the Hanson speculation, but Allied still rose 6 to 635p.

Only minor improvements were shown by other stocks following the takeover speculation. The beginning of April, Sainsbury weakened because it was omitted from the list of possibles, and the shares ended 15 down at 587p.

J Sainsbury, the food retailer, dropped 11 to 379p after analysts drew attention to the shares' recent strong performance. Since the beginning of April, Sainsbury has risen by nearly 10 per cent against a 2.5 per cent gain by the FT-SE 100 index.

Some brokers recommended selling, while others advised

switching into slower performers such as Tesco and Argill. There were also suggestions that the rise in share prices may tempt bond holders to consider converting into equity.

Mr Paul Shiddy of Kleinwort Benson said full conversion of the 1989 convertible bond would add 50m shares to circulation. Argill was 3 lower at 818p while Tesco was up a penny at 282p.

The near two week run in oil shares was brought to a halt by a bout of minor profit-taking triggered by the general decline in UK markets and the initial fall in US equities. Turnover, although well below recent enhanced levels, remained keen as a small rise in oil prices prompted the emergence of a number of buyers at the close.

Ultramar was a notable weak spot, the shares sliding 9 to 332p after a number of switches out of the ordinary and into the group's convertible stock; turnover in the ordinary reached a higher-than-usual 1.2m shares.

Lasmo outperformed the sector, touching 570p before closing a net 2p firmer at 569p after being given a strong push by Mr David Stedman at Daiwa, the Japanese-owned securities house. Mr Stedman described Lasmo shares as "undervalued and overlooked," and said Lasmo was looking at rising production breaking through the 100,000 barrels a day mark in 1992. He focused on Lasmo's big drilling programme in the next six months and pointed out Lasmo's 24 per cent underperformance of the market since the beginning of the year.

Regional brewer J A Devantail outperformed the leading stocks, rising 10 on persistent buying interest to achieve the best level this year of 204p. Smith New Court, the investment house, has favourably rated the company since hosting a presentation back in January.

The software stocks held the limelight in electronics. Sema extended their recent steep decline, closing a further 14 off at 335p with the market still expecting Cap Gemini Sogeti to sell its badly-performing 27.4 per cent stake and launch a bid for one of the other software groups. SD-Solcon, long spoken of as a bid target, edged higher to 37p.

Among the other software issues a comprehensive review of the sector by Ms Treason MacCarthy at Panmure Gordon highlighted the attractions of Sage, Macro 4, Mays and Sherwood Computer. Sage jumped 16 to 253p with the "new" shares 16p up at 50p. Mays continued to move

higher, adding 9 to 124p. Sherwood moved up 15 to 137p. Talk Linking IT Group, 531p, with fellow engineering group Siebe, 423p, unsettled sentiment in both and the shares lost 6 and 11 respectively. Manganese, the big German engineering company, holds more than 7 per cent of IT Group, and has admitted its desire to tackle a "large to very large project."

Marks and Spencer, a strong performer since the beginning of April, slipped back 5 to 252p as 4.4m shares changed hands on renewed suggestions of weak food sales.

Carroll Group, the waste management company which suffered several traumas in 1990, traded briskly as investors interpreted confidently the news that several main board directors, including the chief executive Mr Peter Linacre, had increased their holdings.

The stock rose to 67p before setting 7 up on the session at 65p. Turnover was heavy at 2.4m shares. Severn Trent Water holds a near-30 per cent stake after allowing a conditional bid of 100p per share for the company.

Smaller-priced and USM-listed Porth advanced 3 more to 14p on continued hopes that Sir Michael Edwards, the former head of British Leyland, will become chairman of the company.

Other Market statistics, including the FT-Actuaries share index, Page 20

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Channel Express (Air Services).

LEEDS PERMANENT BUILDING SOCIETY has appointed Mr Derek Cook, deputy chairman of Pilkington, as a non-executive director.

Mr David Harrison has been appointed senior general manager, corporate banking division, LLOYDS BANK. He is general manager, risk management, and takes his new post on June 1, succeeding Mr Sydney Shore who retires at the end of May due to ill health.

Mr R. Allan Bale has been appointed INCO EUROPE'S production director and general manager of the Canadian group's nickel refinery at Clydach, near Swansea in succession to Mr Brian K. Davidson, who will retire on May 3 after 30 years with the company. Mr Bale joined Inco in 1986 and most recently has been assistant general manager at the Clydach refinery. His responsibilities as production director include the Inco platinum group metals refinery at Acton, London.

Mr Peter Jacobs is to become chief executive designate of BUPA from May 13 following the retirement of Mr Bob Graham. Mr Jacobs joins from Barisford International where he was chief executive, and chairman of British Sugar, its principal subsidiary.

CHANNEL EXPRESS GROUP has appointed Mr Ian Fox to the board. He joined the group in 1988 as general manager and a director of

KPMG has appointed Dr Brian Collins (pictured) as a partner responsible for telecommunications, information systems security and open systems at KPMG Management Consulting. He was director of science and technology at GEC, Cheltenham.

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## FINANCIAL TIMES STOCK INDICES

	Apr 16	Apr 15	Apr 12	Apr 11	Apr 10	Year Ago	1991 Low	1991 Low	Since High	Completion Low	
Government Sacs	85.07	85.17	85.35	85.47	85.59	75.68	85.88	82.17	127.4	46.18	Ytd
							(1981)	(1981)	(1981)	(1979)	
Fixed Interest	94.67	94.75	94.77	94.76	94.75	85.08	94.84	90.59	105.1	50.53	4.8
							(5/4)	(2/1)	(2/1)	(3/1/75)	
Ordinary Share #	1986.5	2003.6	1997.2	2007.2	1992.2	1730.3	30.14.5	1908.3	2014.5	46.4	2.8
							(5/4)	(18/1)	(5/4/81)	(26/2/40)	
Gold Mines	138.4	140.0	141.3	141.2	143.1	260.8	179.7	127.0	734.7	43.6	7.8
							(14/1)	(22/2)	(15/2/83)	(26/1/81)	
FT-SE 100 Share	2519.5	2542.8	2536.1	2531.6	2518.8	2214.8	(5/4)	2518.3	2543.3	68.9	
							(5/4)	(18/1)	(3/4/81)	(23/7/84)	
FT-SE Eurostock 200	1168.0	1176.30	1164.86	1161.08	1155.69		1176.30	538.62	1176.30	636.62	1.6
							(15/4)	(18/1)	(15/4/81)	(17/6/81)	
*Ord. Div. Yield	4.86	4.86	4.84	4.83	4.86	5.16					
*Earning Yield % (full)	6.80	6.80	6.82	6.81	6.87	11.50					
*P/E Ratio (Net)	13.85	13.96	13.94	13.87	13.82	10.20					
Based 100 Govt, Sacs, 1000 Shares, Fixed Int, 1000, Ordinary											
15.00, Gold Mines 120/40, Pensions 100, FT-SE 100 10/200											
*GTS Earning Yield, 200 20/100, 200 10/20											
*FT-SE Earning Yield, 200 20/100, 200 10/20											
<b>GILT EDGED ACTIVITY</b>											1.9
Indices											Apr 16
Gilt Edged											101.6
Bargains											86.1 103.1
5-Day average											107.1 114.2
<b>FT-SE 100, Hourly changes</b>											
Day's High 2555.3											Day's Low 2518.8
Open	2007.3	2013.3	2002.3	2000.4	1998.4	1 pm 1995.5	2 pm 1986.0	3 pm 1885.1			
2546.5	2553.6	2540.8	2536.9	2528.5	2527.5	2521.0	2523.5	2519.6			
<b>FT-SE Eurostock 200, hourly changes</b>											
Day's High 1162.7											Day's Low 1160.38
Open	1160.28	1160.07	1159.42	1158.75	1158.84	2 pm 1163.45	3 pm 1161.93				
<b>*SE Activity 1974</b>											
Excluding Intra-market business & Overseas turnover											
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Continued on Page 31

FINANCIAL TIMES SURVEY

# TELFORD AND SHROPSHIRE

Wednesday April 17 1991



**Recession has come as Telford and the county at large are beginning a process of profound economic**

**change. After the rapid expansion of the 1980s, growth is slowing and unemployment is almost back to 1979 levels. Paul Cheeseright, Midlands Correspondent, reports**

## New phase for a new town

THE economic sun has shined over the county of Shropshire and its most striking point of growth, Telford. What then is catastrophe in the air, rather than the optimism fostered in the second half of the Thatcher decade are blighted both by the present recession and the likelihood of slower growth after it.

Retrospectively, the years from 1985 to 1989 look like a brilliant summer for Telford, a time when the county was first conceived as an extension of the Birmingham-Liverpool conurbation, and its feet independently: as it turned out, there was not as much to spill over from the conurbation as had been envisaged 25 years ago. Companies arrived, not only from around the UK, but from overseas.

The effect on county terms, was startling. Of the industrial and warehousing land taken up in Shropshire during the 1980s, 82 per cent was in Telford. Job creation in Telford, part of the Wrekin district, overshadowed what was taking place in the rest of the county. "During the last 10 years", the county council says in a

new economic strategy document, "Shropshire has experienced a massive cycle in unemployment with rates returning in 1989 to almost the same rate as in 1979. The continued reduction in unemployment in the county since 1985 appears to have bottomed out and is now on a rising trend."

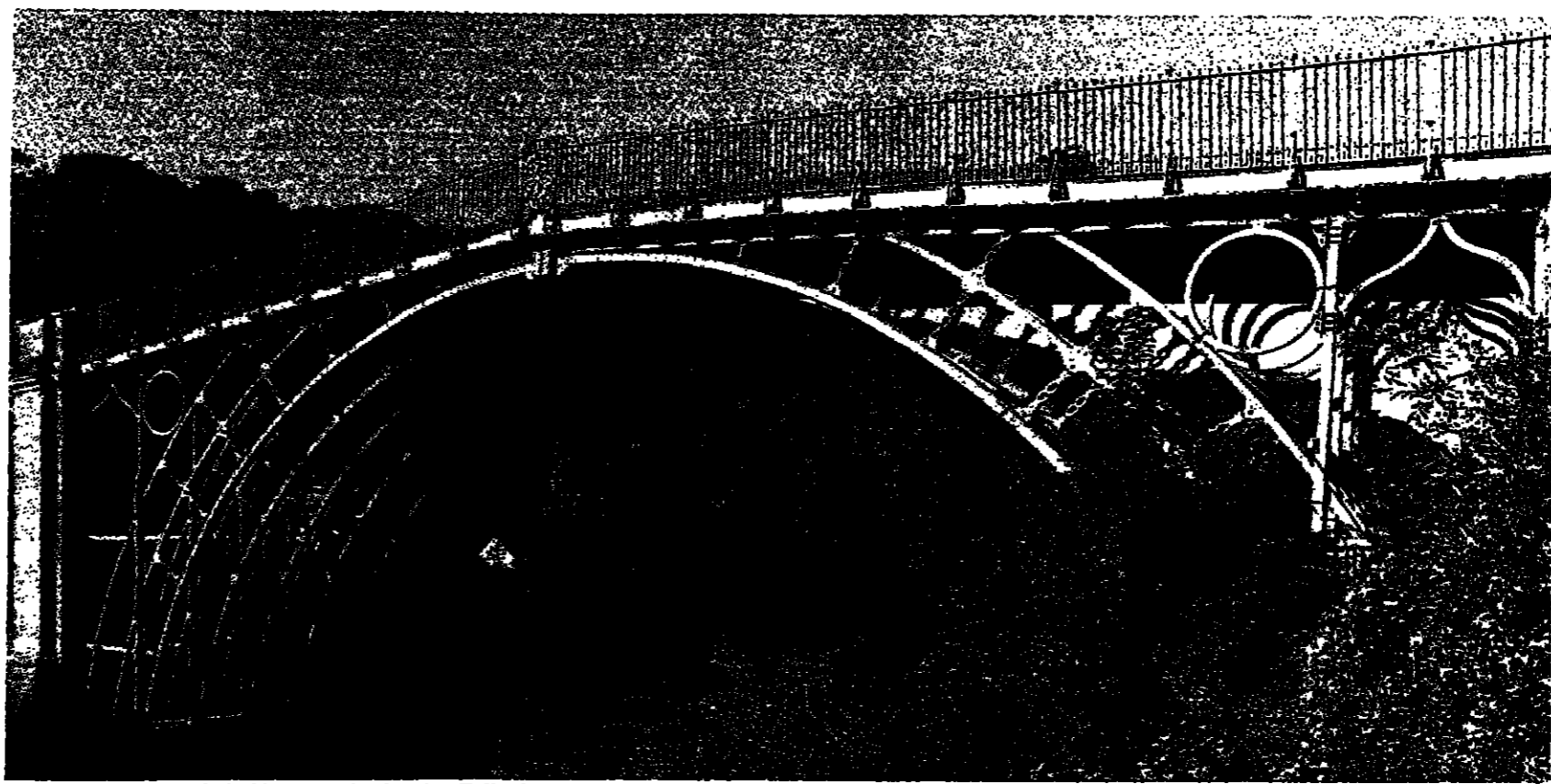
Of all the counties in England, Shropshire evokes most strongly the notion of the rural idyll.

But the dreamy quality of its landscape and the erroneous idea that it is somehow geographically remote from urban strain hide the harsh fact that, in the county at large, average earnings for male workers are the lowest in the West Midlands region and the second lowest of any county in the UK.

Reduction of European Community farm subsidies and the ripple effects throughout the local economy of diminishing farm incomes, although not unique to Shropshire, are hurting badly.

Agricultural and industrial recession come together in Shropshire. Telford has been buoyant and the announcements of new investment plans by various companies continue to filter through.

But just as changes in



The Iron Bridge, symbol of industrialisation: but Telford and Shropshire can also point to a growing service sector as an indication of maturity

national and European Community farming policy hurt the rural county, so the fall in demand for manufactured products hurt industrial Telford.

The closures of J. P. Woods at Craven Arms and Dairy Crest at Ellesmere were the rural economy equivalents of the redundancies at the Telford manufacturing plants of MOC, Lancepack, Tatung (UK), IHW Engineering and Birtley Building Products.

Unemployment in the Telford and Bridgnorth travel-to-work area, under the national average at 5.4 per cent in January 1990, had crept up to 7.2 per cent, the national average, by February 1991. Between January 1990 and January 1991 the number of unfilled job vacancies fell by more than one-third.

There are, then, jarring notes in the song of success which the Telford Development Corporation, which runs

the new town, has become accustomed (with some justification) to chant.

It was able to ride the economic expansion of the late 1980s, attract new companies and provide the new jobs because, during the lean years of the early 1980s, it had created the serviced land and readied the facilities.

In a real sense, the Development Corporation had prepared the ground. New jobs in Shropshire largely went to Telford.

However, Mr Robert Truslove, chief executive of the Shropshire Chamber of Industry and Commerce, suggests that "there is a danger in an area like Shropshire of the cre-

ation of new jobs masking the difficulties that companies are experiencing".

There is the familiar litany of cashflow problems and interest rate difficulties. But, for Shropshire in general and Telford in particular, there is the hazard of inexperience.

"To survive a recession", Mr Truslove says, "there are two things which are useful. One is to have survived one before and the second is to have a track record."

"A lot of the companies here are young, they were set up in the last 10 years, so a high proportion have never gone through a recession and don't have a track record."

Most of the new companies were set up in the second half of the 1980s and high interest rates have hit them hard. "They borrowed at low rates. When they came to their second phase development they couldn't afford to fund it", notes Mr Truslove.

It is a sign of the times that new business activity has slackened. In 1990-91, the number of companies in Shropshire withdrawing from value-added tax registration was greater than those registering.

It is also a measure of the times that, as Mr Christopher Mackrell, commercial director of the Telford Development Corporation, acknowledges, the proportionate rate of growth in the new town is not as fast as in the past: some projects are being deferred.

"The level of enquiries in pure number terms is down on what it was last year", he says.

The recession catches both Telford and the county at large at the start of a process of pro-

found economic change. Clearly, rural Shropshire can no longer rely on farming and its spin-off industries to maintain an acceptable quality of life. The development of Telford is entering a new phase.

"Unemployment, the need for industrial/commercial land (and) falling relative 'real' wages dictate the need for positive action and an adequate supply of industrial and commercial land throughout the county if the economy of the area is not to worsen during the next 10 years", declares the county council.

Moves are being taken to buttress the rural economy with industry, to encourage the growth of tourism and to wean the farming community away from excessive reliance on bulk products to those with a higher added value. It is a slow and painstaking task.

For its part, Telford will soon be in the throes of organisational change.

**IN THIS SURVEY**

■ **Investment:** a total of 115 foreign companies have invested in Telford, creating 9,210 jobs and occupying 411,930 sq m of floor space ..... Page 2

■ **Labour:** the shape of the labour force is changing in a way which puts a premium on training ... Page 3

■ **Agriculture:** with markets increasingly clogged and the level of EC subsidies declining, Shropshire's farmers are feeling the strain ..... Page 4

The 10-year life of the Enterprise Zone, with its tax concessions, ends in 1993. The Telford Development Corporation, its work done in providing a momentum of growth, is being wound up and responsibility for the disposal of public assets passes to the Commission for New Towns (CNT). The work of luring new companies passes to the Telford Development Agency, to be established by Shropshire County Council, Wrekin District Council and the CNT.

More important than organisational change, however, is the growth of a services sector. Such a sector has always existed as a support for local industry, but it is beginning to strike out on a life of its own as organisations as diverse as the Inland Revenue's computer headquarters, the Land Registry, TSB's training facilities and the Windsor Life Insurance headquarters set up in the town.

The concomitant is an increase in pure office, as opposed to general commercial property development - Pegasus Court, Central Park, the Telford Business park, for example.

Industrial development will undoubtedly continue, if more slowly than in the recent past. Mr Mackrell observes that 20 per cent of the available land in the West Midlands is in Telford. But the growth of a services sector is an indication of urban maturity. And maturity, by definition, implies steady rather than headlong growth.

## Telford.

### A better place to live and work and keep your business in good company.

The tremendous range of facilities this modern community offers have attracted 115 overseas companies into the town including 21 major Japanese corporations. They join a thriving domestic business infrastructure whose management and employees enjoy the rich and varied lifestyle that modern Telford uniquely sited in the beautiful rural surroundings of the Shropshire countryside has to offer. Excellent motorway and Inter City rail communications, spacious, up to date office environments and a variety of town and country housing, all make Telford a better place to live and work.

## TELFORD

Shropshire

Call Commercial Director Chris Mackrell now on 0952 293131 or write to Telford Development Corporation, New Town House, Telford Square, Town Centre, Telford, Shropshire TF3 4JS.



## TELFORD &amp; SHROPSHIRE 3

The TDC is being wound up. Stewart Dalby analyses its record

## Private sector set to benefit from legacy of development

NEW TOWN corporations are wound up, or "realised", when the secretary of state for the environment feels that the town has reached critical mass; that is, enough infrastructure has been built and sufficient housing, factories, offices and leisure facilities constructed for the town to be self-sustaining. In theory, there should be no need for vast sums of new public money to be spent.

What will have been achieved when Telford Development Corporation is wound up in September? Roads, utilities and major public services will all be in place. There is a wide range of leisure facilities, including an ice rink, indoor tennis centre, three purpose-built sports centres, three swimming pools, four golf courses within a three mile (5km) radius and a multi-screen cinema.

The town is connected to the main link rail link to London's King's Cross. It is adjacent to the M54 motorway and there are a number of good hotels.

More than 1.4m sq m of factory floorspace has been constructed by last year and more than 142,182 sq m of office accommodation put up. In addition, there is 187,924 sq m of retail floorspace.

Around 45,000 houses will have been built during the life-

time of the corporation, some 14,688 of them by the public sector. For all intents and purposes this means the development corporation. Since 1968, the development corporation reckons it has built 11,700 houses.

During the lifetime of the corporation, the population has grown from 74,000 to 120,000 and, on the basis of what has been built, Telford seems a well-rounded town where people can live, work, play and shop.

Where does it go from here, in terms of the availability and cost of shops, offices, houses and land?

Telford's new town corporation has divested itself of most

More than 1.4m sq m of factory floorspace has been constructed and more than 142,182 sq m of office space

of its assets before realisation. A recent example is the sale of the entire town centre shopping complex, an area of 750,000 sq ft, to Universities Superannuation Scheme (USS), for £100m.

Many of the houses that the development corporation built

for rent have been sold off to tenants under the government's right-to-buy scheme. Indeed, the development corporation reckons it has been more successful than any public body under the right-to-buy scheme. Of the 11,700 houses built for rent, only 4,000 remain in tenants' hands. The local Wrekin District Council would like to take them over because of the rents. But the decision is up to the tenants themselves, who will be asked to vote on whether they want to be taken over by the council or local housing associations or whether they want to buy.

Almost all of the factories built by the corporation or constructed on its land have been sold. Mr Chris MacKrell, the current commercial director at the TDC who will become executive officer for the Commission for New Towns in September, estimates that at wind-up, the TDC will have between 500,000 sq ft and 750,000 sq ft of built factory space to dispose of, along with some 2,000 acres of land, most of it serviced.

The exact amount of factory space is not known because the corporation is negotiating with the local council over the transfer of community related assets. These include, for example, some 1,000 acres of parkland. The corporation can-

not simply transfer these assets without the means to maintain them. This usually involves setting up endowments. The endowments, in turn, are usually funded by income from other corporation assets such as factories and offices.

The most likely outcome is that the amount of industrial space the corporation will have to dispose of will be at the bottom end of estimates, that is around 500,000 sq ft. Considering that more than 15m sq ft of factory space was built on corporation-owned land, this is not a great deal left to sell off.

The recession has hit Telford like many other places. But Mr MacKrell is sanguine that the outstanding industrial properties will move once the climate improves. He also believes there will be demand for the land. It is reasonably priced. At something like £140,000 an acre before the recession, it was very competitive with land in the West Midlands. The population of Telford is predicted to rise to 120,000 by 1995. Interest from overseas companies continues to be strong (there are more than 115 in Telford). Factory space is predicted to rise from the current 1.4m sq m to 1.8m sq m by 1995.

The corporation does not have any commercial property



TDC housing for rent at Leegomery. Incoming CNT executive officer Chris MacKrell, below, sees good prospects for property

to lease or sell, but there is an availability of privately developed commercial premises - particularly B1 properties in Telford, both in the enterprise zone and elsewhere.

Moreover, although the market is sluggish, developments are going ahead. The Thoroughbred Property group is offering its flagship Pegasus Court development, which is 73,000 sq ft in its first phase. This is a mixed development of commercial, light industrial and warehousing in the enterprise zone.

Most of the 270 acres of the enterprise zone have now been developed, although there is a little land left. The advantage of the EZ is that no rates are payable until 1994.

The Thoroughbred group is also developing Landau Court, on the edge of Wellington town centre. Mountleigh Northern Developments, in association with the Brighouse Group, is proceeding with an office development on the Stafford Court Business Park, a 73,000 sq ft scheme with the 36,000 sq ft headquarters building, Hollinswood House, as its centrepiece.

Rents in Telford range from £5.50 to £15 per sq ft. An average is £11.50 per sq ft, even in the enterprise zone. In all, it is thought that some 250,000 sq ft of office accommodation, both in and out of the enterprise zone, either is or will be available.

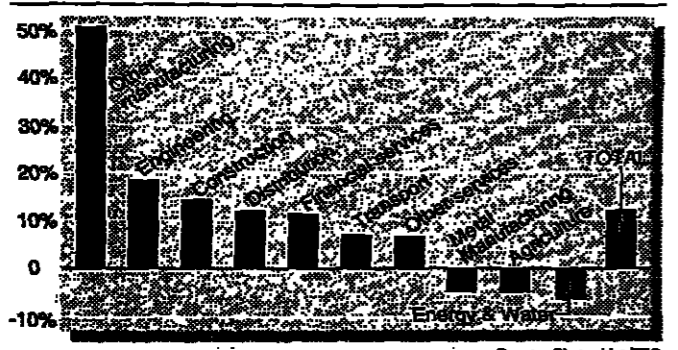
The recession has had its effects on retail property. But when a property became available in the town centre complex recently it went for £110 per sq ft for zone A, which suggests prices are holding up. This shopping centre is now almost fully let, with retailers such as Marks and Spencer, Debenhams, C&A and Boots.

House building has slowed down in the past year, although it has been predicted that Telford will need a further 5,000 homes by 1995. The local district council estimates that there will be a need for more rented accommodation.

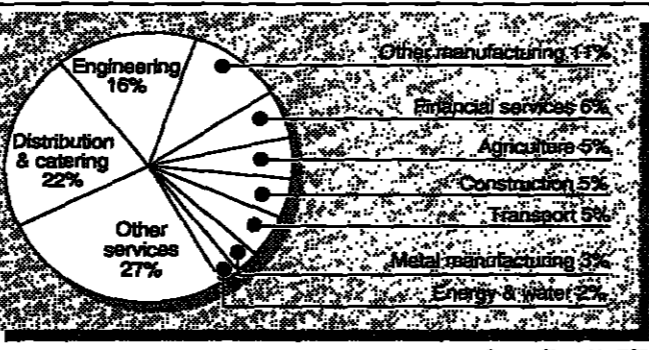
Prices are notional at the moment, but for a new town, Telford has a surprisingly wide range of houses on offer. They start at £40,000 for a two bedroom semi-detached house, rising to £170,000 for an "executive-style" home.



## Shropshire employment growth, 1984-90



## Employment in Shropshire



Trends point to changing patterns of employment

## New premium on training

INVESTMENT drawn to Telford has been by far the most important factor in the employment growth of Shropshire. For the medium term, at least, this trend is likely to continue. But the shape of the labour force is changing in a way which puts a premium on training.

At the time of the last census in 1987, when the population of the county was about 400,000, the number of jobs in the county was nearly 130,000, roughly 10,000 more than in 1981. But a breakdown of jobs, by district council area, showed that at best there had been a marginal increase and in some cases a small decline in job numbers in the Bridgnorth, North Shropshire, Oswestry, Shrewsbury and Achna, and South Shropshire areas. Only in the Wrekin district, which contains Telford, was there a marked increase.

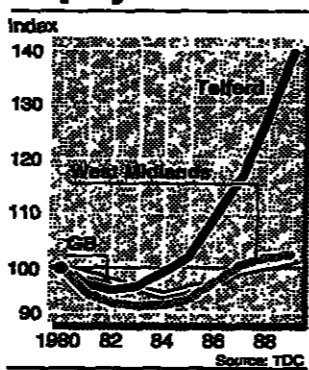
Work carried out by Prism Research for a county labour market assessment commis-

sioned by the new Shropshire Training and Enterprise Council (TEC) points out that between 1984 and 1990, "Telford alone accounted for 95 per cent of all new jobs. These trends are expected to continue to 1993 with 8,000 new jobs forecast throughout the county, 1,000 through natural growth and 7,000 through the Telford effect."

Projections of the County Council suggest that that between 1989 and the year 2006, the labour force could increase in size by between 22,500 and 40,000. The minimum figure is derived from forecast natural change and migration. The maximum figure could be reached if there is a high level of economic activity.

Two points emerge from these separate forecasts. First, if employment growth is to be more evenly spread over the county in the next decades, land supply for new commercial activity will have to be greater outside the Wrekin and

## Employment



Oswestry areas. The decline in the rural economy will have to be halted by welding new sources of employment on to farming and its associated industries.

Second, although absolute numbers of jobs and people to fill them may increase, the constituent parts of the labour force will gradually change, thus demanding a change in the traditional mix of occupations in the county. Prism Research has highlighted three features: a 16 per cent decline in the number of school leavers, to 5,000, between 1989-93; a decline in the number of those aged between 16 and 44 years; and increase in those older than 45.

Against this background, the expected labour needs include not only operatives for manufacturing industry but those with managerial, professional and technical skills to underpin the growth of manufacturing industry and those with clerical and secretarial skills to support it. The services sector has already started to expand in the Telford area and Shrewsbury traditionally has been a strong commercial centre with an influence stretching into Wales.

Prism Research concludes that "employers will need to consider alternative labour sources such as women returners to meet recruitment needs" and, because Shropshire traditionally has not had a strong demand for managers, professionals and clerical staff, there is a growing necessity for "more employers to train and develop existing staff."

Obviously, however, entrants to the labour force will be a minority. The Shropshire TEC notes that, "As 80 per cent of the employees of the year 2000 are currently in employment, employers already hold the key to most of their future labour needs. The competitiveness of individual businesses can be greatly enhanced through an appropriately trained and skilled workforce."

The responsibility for providing the framework in which this process of skill enhance-

ment, of matching skills to needs, of fostering commercial acumen, now falls on the Shropshire TEC, which formally started operations on April 2 1991.

The timing was less than encouraging. The onus of effort will fall on companies currently coping with recession, historically the part of the economic cycle when there is a tendency to cut spending on investment and training. At the same time, the UK government is reducing spending on youth and employment training; indeed, there is an abundance of local complaints that, proportionately, Shropshire's spending is being reduced by a greater amount than the average national fall.

Certainly, in budgetary terms, the Shropshire TEC is one of the smallest of 82 around the UK, with an overall budget for the financial year 1991-92 of about £12m. Most of that will be spent on youth and employment training, picking up the mantle of the Training Agency.

Mr Roy Knott, the chief executive, says that in the face of reduced government spending, the TEC is "spreading the pain evenly" among the companies and institutions which provide training. The biggest of these is Shropshire County Council, which forecasts expenditure on training in 1991-92 of £2.58m, and income from it of £2.53m. Its training contract with the TEC this year will be smaller than its contract with the Training Agency last year.

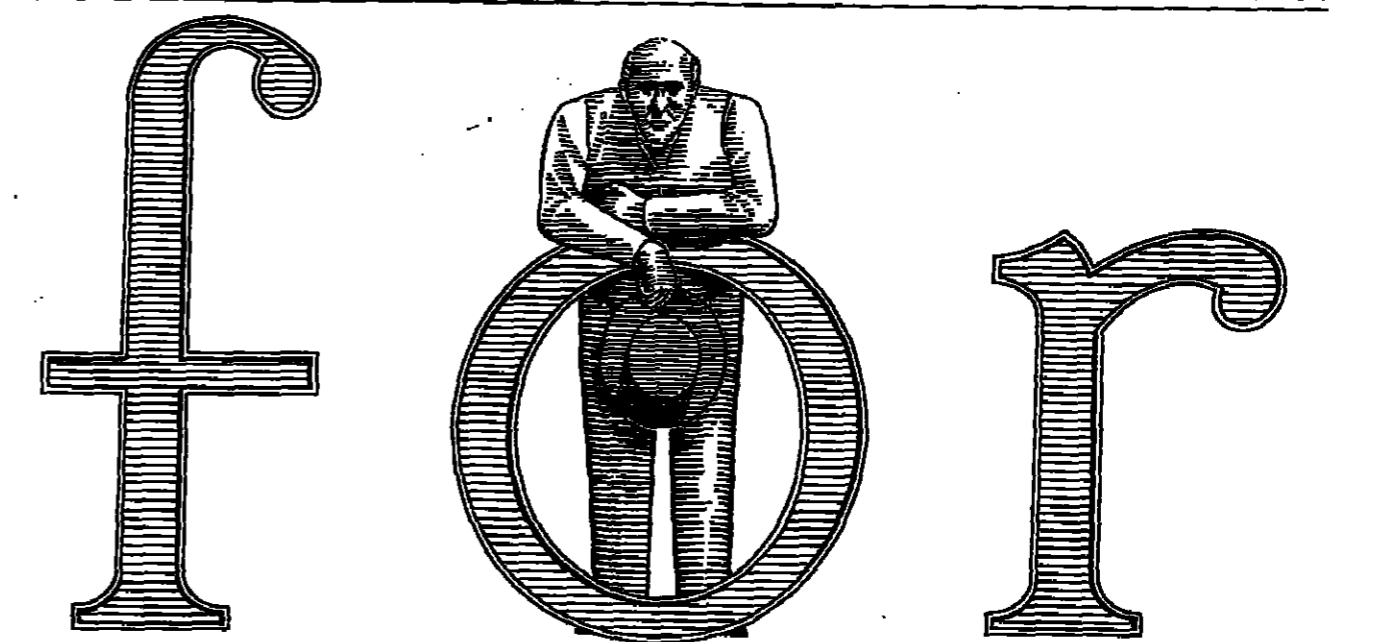
The scale of the operation is indicated by the fact that in early January, there were 2,402 people engaged in youth training throughout Shropshire, while a further 4,700 were taking part in various adult training schemes, including employment training.

Out of its overall budget, Shropshire TEC has some £2m to spend on local initiatives and on enterprise support, largely the administration of the enterprise allowance. Support for small business is crucial to the growth of the county economy: 90 per cent of businesses employ less than 25 people and the self-employed sector has grown by 20 per cent since 1981. The growth has been most marked in the Telford area and least marked in the south of the county.

It is a significant comment on the county economy that while the TEC is seeking to devote its encouragement of training and enterprise down to six area boards, mirroring the district councils, it has also set up a special committee of private and public sector leaders to do the same thing exclusively for agriculture.

Paul Cheeseright

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## TELFORD &amp; SHROPSHIRE 4

## ■ PROFILE: Müller

## Sweet taste of success

CONSTRUCTION of a new yoghurt production plant for Molkerei Alois Müller of Aretsreid, Bavaria, has started at Market Drayton - a move which has brought some smiles to Shropshire County Council, which is celebrating the largest inward investment that its economic development department has managed to attract.

Müller's total investment will be £20m. It has signed contracts to take 22 acres of land at the Tern Valley Business Park, a venture of the County Council, the North Shropshire District Council and the Rural Development Commission.

The decision by Müller to go to Market Drayton followed 15 months of negotiations with the county council which had originally responded to an advertisement for a site placed by Müller in the *Financial Times*.

The first request was for five acres of land, but this demand gradually increased. The planning permission for the site covers 12 acres.

By any standards, Müller's move is a coup for the local economy.

Recruitment starts later this year and production will start in summer 1992 with a payroll of about 100. But employment is expected to grow over four years to 500. This would make Müller the biggest employer in Market Drayton, replacing Pethorpe, the sausage manufacturer.

Such investments are seen as necessary to bring more competition to the local labour market so that the level of wages may gradually be raised and the lagging rural economy reinvigorated with greater spending power. The investment, in any case, helps to counterbalance the problems faced by local food processing industry.

The attraction of Market Drayton for Müller were largely twofold.

First, the town is near the motorway network, important for the distribution of goods with a limited shelf life. Second, the town is within an hour's tanker drive of 25 per cent of UK dairy production.

Müller will be buying about 50m litres of milk a year to produce initially about 300m pots of yoghurt a year spread over a range of 15 products.

This is an important degree of import substitution: Müller is estimated to have a 13 per cent share of the UK yoghurt market, but all of this is produced at the Aretsreid plant.

The Market Drayton plant, the first overseas venture for Müller, a private company, will provide yoghurt not only for the UK market but also for Belgium, northern France, Netherlands and Scandinavia. The Aretsreid plant will service Müller's other European markets.

Paul Cheeseright

SHROPSHIRE farmers, like their counterparts throughout the UK, are feeling the strain. Markets for their products are increasingly clogged. The level of subsidies is declining as the European Community seeks to bring its agricultural support under tighter control and prepare for a dismantling of farm subsidies under any agreement which may be reached with the international trading community within the framework of the GATT talks.

What sets Shropshire aside from other counties is the diversity of its agriculture. Unlike, say, arable Lincolnshire, it is genuinely mixed. On the plain, in the north and north-west of the county, there is emphasis on dairy farming. The eastern side is largely arable, but in the hill country of the south and south-west beef and sheep farming predominate. Holdings tend to be smaller where the ground is higher, along the Welsh border, and larger further to the east. For the most part they have shared in increasing mechanisation and higher productivity.

But within this general and geographical pattern, changes are taking place under the influence of the external pressures which are gradually changing the shape of the industry. Because the tight economic policies followed by the UK government coincide with the particular farming problem that more is produced than the markets can absorb, and because many farmers are over-capitalised, financial pressures are forcing a drift off the land. In many cases, income is the same in money terms, and hence less in real terms, than it was four years ago.

"There is growing unease," says the county council,

Paul Cheeseright assesses the county's agriculture

## Farmers feel the strain



Land prices vary from £1,200 to £3,000 an acre

"amongst the rural community that the continuing reduction in farm income and investment in the rural activities is causing major difficulties. As yet, little exists in statistical terms

**The declining rural economy has helped make Shropshire wage rates among the lowest in the UK**

but anecdotal evidence is increasing."

Certainly there are manifestations of difficulty. One is the effect on the local food processing industry, which has seen farm co-operatives in difficulties and the closure of the J. P. Wood plant at Craven Arms and the Dairy Crest plant at Ellesmere. Such closures are only partly offset by

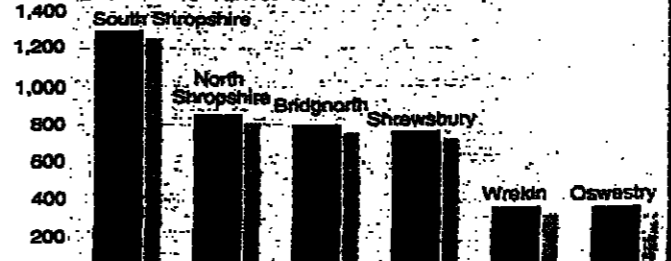
the decision of, for example, Müller of Germany, to establish a yogurt plant at Market Drayton. The overall problem is that cash drains out of the rural economy and affects the fabric of support businesses, such as retail, farm machinery and transport.

The declining rural economy has led to diminished competition for labour and this has had a significant effect in making Shropshire wage rates among the lowest in the UK. In turn, this creates social problems, not least the concern about the availability of affordable housing in rural areas.

At the same time, financial strains in the industry hasten changes in the shape of farming. There is a trend towards the consolidation of farming units. This has been happening for some years, but now, in the dairy sector, some four per

## Farms and small holdings

Distribution by district



Source: Shropshire TFC

cent of producers are leaving the industry each year. And the process is likely to speed up. "The trend towards having less farmers will be intensified over the next year or two unless there is major change in EC or national support," says Mr Bill Hall, regional business management adviser at the Agricultural Development and Advisory Service.

Further, the problems of the industry and, indeed, their mixture with the more general national process of deindustrialisation from the conurbations, have led to volatility of land prices. The market for farm land has been distorted by the desirability or otherwise of the residence which happens to be on it and by the ability to sell milk quotas.

Depending on the area of the county, land prices vary from £1,200 to £3,000 an acre. A milk

quota is worth roughly £0.35 a litre, so that at the top of the market land with a milk quota may reach £4,000 an acre. But, Mr Hall comments, "there is quite a lot of land not finding

**'The trend towards having less farmers will be intensified unless there is major change in support'**

buyers at the asking price."

The desire of the affluent in urban areas to move into the countryside is in some cases changing the pattern of land ownership in rural Shropshire. The process has not gone as far as it has in the Thames Valley or the Cotswolds, but there is, for example, a growing number of Wolverhampton businessmen among farm owners. On

one hand, the opening of the M54 motorway into Shropshire has opened up the possibility of commuting to Birmingham and the Black Country towns, while on the other parts of the county are within reach of the North Wales corridor.

All of this points to a rural economy in the process of change. The problems of the sector have led to a greater concentration on diversification and this is advocated with increasing urgency by the ministry of agriculture, the Agricultural Development Advisory Service and the local authorities. Such diversification is taking the form of providing facilities for tourism, the development of specialised products - cheese, ice cream and so on - and a certain expansion of organic farming. The horticultural sector is not well-developed, although in a long-established business based on direct selling to the public in the areas adjacent to Wolverhampton and around Shrewsbury.

But the desire to widen the scope of the rural economy by attracting new forms of investment activity that sit easily with the acknowledged charm of the Shropshire countryside has been hindered by the lack of serviced land outside the immediate area of Telford. This is not an area of activity in which the private property development sector has shown much interest. Hence the decision of the County Council to go ahead and provide such sites with its own funds near, for example, Shrewsbury, Market Drayton and Bishops Clee.

"Once serviced land is in place, the private sector will come," officials said confidently. But that, presumably, will be after the recession.

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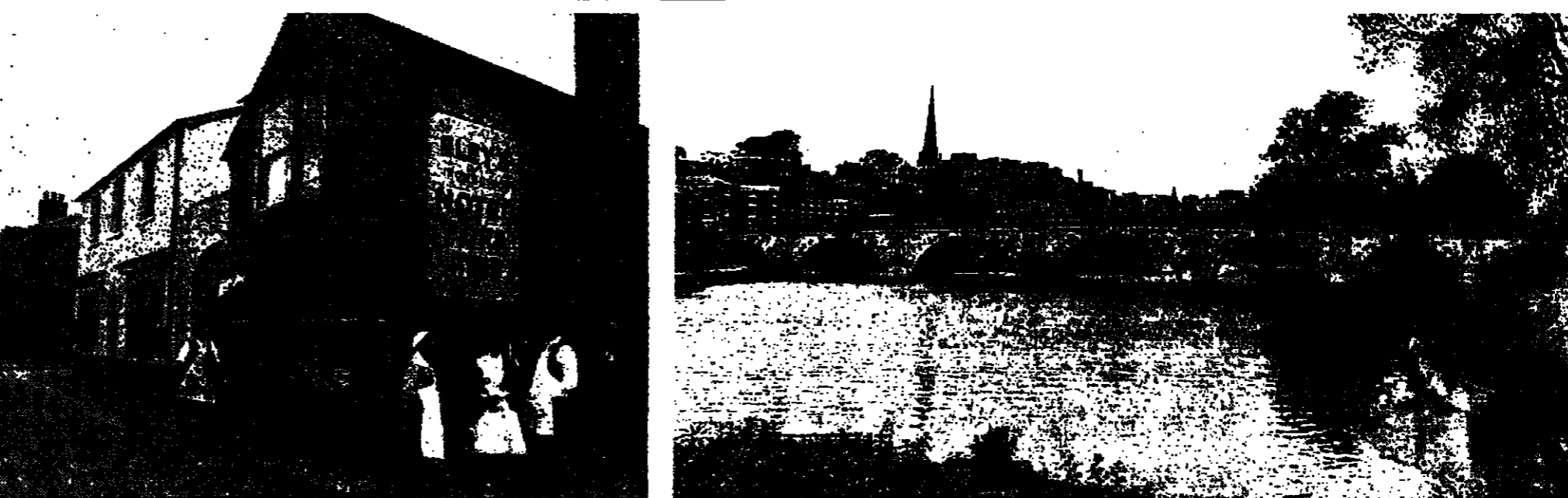
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Billets Hill, left, and Shrewsbury, right: not yet on the major tourist circuit

Stewart Dalby looks at efforts to encourage tourism

## Twin attractions of rural idyll and industrial heritage

LIKE other parts of the old industrial north of England, Telford and Shropshire have realised that tourism is big business and that they have a number of assets which can be turned to good account to attract visitors.

Telford itself could hardly be described as a tourist attraction. It is a modern town, which in its present form has been built by the Development Corporation. But some of the scenes of dereliction have been transformed by imaginative landscaping and other improvements, so visitors staying in business hotels such as the Holiday Inn or the Most House will not find Telford unappealing.

As well as the modern shopping area with sports grounds and an ice rink in the new centre, there are acres of open countryside in the middle of the town. There is a miniature steam railway and lakeside amphitheatre, the award winning Chelsea garden and the Maxwell Japanese Cherry garden.

What Telford may lack in historical perspective is more than

made good by nearby Ironbridge. The industrial revolution was born at nearby Coalbrookdale, where in 1709 the Quaker ironmaster Abraham Darby discovered the secret of smelting iron ore using coke, which was cheap and plentiful, instead of the more expensive charcoal - a discovery which opened the way to large-scale industrial production of iron.

The presence of coal, iron ore

and limestone turned east Shropshire into the centre of Britain's iron trade. It was at Coalbrookdale the first iron rails were made for railways, together with the first iron cylinders for steam engines and, of course, the world's first iron bridge in the appropriately named village of Ironbridge.

Other industries sprang up alongside iron and coal, particularly pottery and porcelain at Coalport, before the region began to decline in the mid-19th century.

The industrial past is commemorated by the Ironbridge Gorge Museum

and Shrewsbury is perhaps England's finest remaining Tudor town, while Ludlow has its Norman castle. There are other "products" (as such sites are known in the tourism business) dotted around the county, including the renowned Severn Valley Steam Railway and the new Childhood and Costume Museum, both at Bridgnorth; the Midland Motor Museum at Weston Park; and the aerospace museum at Cosford. Charles Darwin, of theory of evolution fame, and Robert Clive - Clive of India - both sprang from Shropshire and their respective

compared to other more established areas, tourism now accounts for 1,400 jobs, or just under 2 per cent of the work force. Ten years ago the sector employed only 170 people.

Like Bradford with its photography museum, Burton with its beer museum and Liverpool with the Albert Dock complex, Telford has used its industrial past to establish revenue producing assets, giving it a foothold in an important, growing industry.

Of course, there is more to Shropshire than Telford. The county is largely rural, with rolling hills and vales, quiet, picturesque villages and hamlets, medieval castles, ancient churches and grand country houses.

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heritage, at setting up information centres and in training and business advice.

It also examined ways in which tourism might move forward. Two main areas were identified: more could be done to develop and widen business tourism and, in the leisure field, more overseas staying visitors could be attracted.

Only around 7-8 per cent of visitors to Telford and Wrekin are from overseas. Unlike Chester, York or Stratford-upon-Avon, Shropshire is not on the "circuit" for visiting Americans. Yet evidence of a rich past is as abundantly evident in Shrewsbury as it is in Chester. A strong promotion in the US might enable the county to tap this potential vein of business.

In business tourism, while Telford gets many visitors for strictly business purposes, the idea should be to get them to bring their wives and children and stay for weekends. Telford should also try and develop gatherings such as board meetings and conferences. It has the hotels, but should try and broaden their use.

While occupancy rates in other main hotels are down to around 50 per cent in the current tourism climate, they were running at over 70 per cent a year ago. With the Gulf war over and people beginning to travel again, there is no reason why Telford and Shropshire should not gain a larger share of niche markets.

England Tourist Board (which covers six counties in the middle of England), the county council and the six district councils have been engaged in a Tourism Development Action Plan.

The TDAP, which cost £300,000 and is now coming to an end after three years, looked at ways of improving standards, at signposting and raising awareness of the county's

**Tourism now accounts for 1,400 jobs, or just under 2 per cent of the work force**

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<p><b>a</b></p> <p><b>b</b></p> <p><b>c</b></p> <p><b>d</b></p> <p><b>e</b></p> <p><b>f</b></p> <p><b>g</b></p> <p><b>h</b></p> <p><b>i</b></p> <p><b>j</b></p> <p><b>k</b></p> <p><b>l</b></p> <p><b>m</b></p> <p><b>n</b></p> <p><b>o</b></p> <p><b>p</b></p> <p><b>q</b></p> <p><b>r</b></p> <p><b>s</b></p> <p><b>t</b></p> <p><b>u</b></p> <p><b>v</b></p> <p><b>w</b></p> <p><b>x</b></p> <p><b>y</b></p> <p><b>z</b></p>	<p>middle prices, are gross, adjusted to AIT of 25 per cent and allow for value of declared distribution and rights.</p> <p>The NAV base price is calculated as follows:</p> $\text{NAV Base Price} = \frac{\text{Price Paid for Investment}}{\text{Funds, in Pence per Share, along with the Percentage Discounts (DSD) or Premiums (PM - % to the current pre-closing share price.)}$ <p>The NAV base price is then divided by the number of convertible shares converted and warrants exercised if dilution occurs.</p> <p>* "Tap Stock"</p> <p>Hights and lows marked thus have been adjusted to allow for rights issue for new cash.</p> <p>† Interim since increased or resumed</p> <p>‡ Interim since reduced, passed or deferred</p> <p>§ Tax-free to investors based on application</p> <p>¶ Figures or report omitted</p>
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1	1	Not officially UK listed; dealings permitted under rule
2	1	* US\$; not listed on Stock Exchange and company not
3	1	listed in a country of regulation as listed securities.
4	2	Not officially listed.
5	2	Price at time of suspension
6	1	Price at time of suspension, including scrip and/or rights issue;
7	1	cover relates to previous dividend or forecast.
8	1	Minority interest; reduced final and/or reduced earnings
9	1	Not comparable
10	1	Minority interest; reduced final and/or reduced earnings
11	1	Not comparable
12	1	Forecast dividend; cover based on earnings updated by latest
13	1	interim statement
14	1	Cover allows for conversion of shares not now ranking for
15	1	dividend
16	1	Cover does not allow for shares which may also rank for
17	1	dividend
18	1	No use
19	1	No use
20	1	No use
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	Change	Price	Price	Price	-	Gr
<b>Brewin Dolphin Unit Trst Mgrs Ltd (0985)F</b>						
5 Giltspur St, London EC1A 9QE						(07)-236 6441
Brewin Capital	+5%	129.0	129.0	137.9	-1.7	5.71
Brewin Dividend	+5%	63.25	63.25	67.64	-0.04	9.80
Brewin Int Gdn Acc	+5%	134.2	134.2	170.2	-0.1	0.67
Brewin UK & Gen	+5%	33.44	33.69	36.03	-0.31	0.27

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## INDICES

NEW YORK DOW JONES										Apr. 1981				1981			
	Apr. 18	Apr. 19	Apr. 20	Apr. 21	1981	Since completion				Apr. 18	Apr. 19	Apr. 20	Apr. 21	1981	LOW		
	15	12	11	10	HIGH	LOW	HIGH	LOW		16	15	12	11	HIGH	LOW		
Industrials	2933.17	2920.19	2905.45	2874.50	2973.27	2900.30	2999.75	41.22	AUSTRALIA All Industries (AU/100)	1467.3	1462.7	1455.8	1454.3	1471.7 (1040)	1264.5 (840)		
Home Bldg.	94.11	93.95	93.75	93.74	94.50	94.50	94.79	0.29	AUSTRALIA All Industries (AU/100)	1467.3	1462.7	1455.8	1454.3	1471.7 (1040)	1264.5 (840)		
Transport	1123.24	1128.88	1127.12	1113.09	1135.01	1113.01	1135.01	21.90	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
Utilities	212.81	212.81	212.30	214.98	215.00	214.98	215.00	0.02	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
60yr's High 2957.18 60yr's Low 2896.29 60yr's High 2957.18 60yr's Low 2896.29																	
STANDARD AND POOR'S																	
Composite s	381.18	380.40	377.40	373.15	381.18	371.49	381.18	4.40	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
Industrials	452.39	451.42	447.40	442.06	452.39	442.06	452.39	10.33	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
Financial	36.08	36.01	36.02	29.50	36.08	29.50	36.08	6.58	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
NYSE Composite	208.58	208.08	206.64	204.42	208.58	204.42	208.58	4.16	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
Amex Mid. Volat.	366.87	366.63	365.47	362.51	366.87	362.51	366.87	4.36	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
NASDAQ Composite	504.54	504.62	499.31	490.76	504.54	490.76	504.54	13.77	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
Dow Industrial Div. Yield																	
	3.45	3.46	3.53	3.96	3.45	3.96	3.45	0.51	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
S & P Industrial div. yield	2.85	2.84	2.84	3.04	2.85	3.04	2.85	0.19	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
S & P Ind. P/E ratio	12.17	12.01	12.27	15.13	12.17	15.13	12.17	2.96	FRANCE CAC 40 (FR/100)	482.15	487.88	485.85	486.80	493.70 (940)	349.28 (530)		
NEW YORK ACTIVE STOCKS																	
TRADING ACTIVITY																	
Monday	Status				Closing				Volume								
	traded				price				traded								
AI Nelson	6,983,900	121	+	+	New York	341,800	198,610	196,570	AI Nelson	6,983,900	121	+	+				
JP Morgan	3,035,660	187	+	+	Amex	30,497	14,712	12,039	JP Morgan	3,035,660	187	+	+				
Drex Ham	2,124,200	19	+	+	NASDAQ	187,795	185,852	197,014	Drex Ham	2,124,200	19	+	+				
Wells Fargo	2,003,300	19	+	+	New York	341,800	198,610	196,570	Wells Fargo	2,003,300	19	+	+				
AI T & T	1,918,400	253	+	+	Russ	942	330	2,104	AI T & T	1,918,400	253	+	+				
Am Tel	1,772,000	774	+	+	Park	663	635	494	Am Tel	1,772,000	774	+	+				
Am Drex	1,753,900	274	+	+	Unclench	629	511	629	Am Drex	1,753,900	274	+	+				
USX US LP	1,745,000	124	+	+	New Highs	155	121	155	USX US LP	1,745,000	124	+	+				
USX US LP	1,699,000	148	+	+	New Lows	4	3	5	USX US LP	1,699,000	148	+	+				
Waste Inc	1,423,000	374	+	+					Waste Inc	1,423,000	374	+	+				
CANADA																	
TORONTO																	
	Apr. 15	Apr. 16	Apr. 17	Apr. 18	1981					Apr. 15	Apr. 16	Apr. 17	Apr. 18	1981			
	12	11	10	9	HIGH	LOW	HIGH	LOW		12	11	10	9	HIGH	LOW		
Metals & Minerals	3320.02	3323.67	3314.87	3079.55	3374.18 (53)	3322.00 (53)			Metals & Minerals	3320.02	3323.67	3314.87	3079.55	3374.18 (53)	3322.00 (53)		
Composite	3330.43	3339.39	3330.84	3494.06	3391.53 (53)	3332.95 (53/1)			Composite	3330.43	3339.39	3330.84	3494.06	3391.53 (53)	3332.95 (53/1)		
MONTREAL Portfolio	1268.02	1262.21	1256.66	1234.06	1268.19 (39)	1266.89 (39)			MONTREAL Portfolio	1268.02	1262.21	1256.66	1234.06	1268.19 (39)	1266.89 (39)		
Base values of all indices are 1928.02 NYSE All Common - 500 Standard and Poor's - 100 and Toronto Composite and Metals - 1000. Toronto indices based 1975 and International Portfolio 4/1/83. * Excluding bonds. † Industrial, plus Utilities, Financial and Transportation. ‡ Closed, vs. Open.																	

TOKYO - Most Active Stocks							
Tuesday 18 April 1991							
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	10,558	486	+10	Yatake Zosen	4.1m	872	+10
Nippon Oil	8,25m	1,340	+10	Sumitomo Heavy	3.8m	855	+10
Sumitomo Metal	8,55m	540	+10	Fuji Electric	3.7m	840	+10
Yamaha Corp.	6,65m	1,270	+10	Kawasaki Heavy	3.6m	838	+10
Sumitomo Mtg Bk.	4,95m	1,340	+20	Honsha Paper	3.2m	1,320	+70

## TURKEY

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## FT SURVEYS

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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**NASDAQ NATIONAL MARKET**

3:15 pm prices April 16

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## FT SURVEYS